29/02/2024

ASSOCIATION DES BANQUIERS CANADIENS
CANADIAN BANKERS ASSOCIATION

Recommendations

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

The CBA s key recommendations, as summarized, are for the Government of New Brunswick to:

- Remove the capital tax on financial institutions to promote economic growth in New Brunswick.
- Encourage the federal government to undertake a comprehensive review of the national tax system to ensure it aligns with the needs and goals of New Brunswickers, improves 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 permanent multi-stakeholder housing roundtable to coordinate housing policy across all levels of government. The objective of the body would be to remove barriers to housing supply and increase construction of social housing to protect the province s most vulnerable households.
- Introduce a mandatory, standalone financial literacy course within the province's public secondary school curriculum and expand its financial literacy initiatives to priority groups.
- Collaborate with the CBA and government agencies to increase the cyber security awareness of New Brunswickers and strengthen Canada s cyber resilience.
- Adopt a financial consumer protection regime targeted at payment service providers and extend these standards to under- and un-regulated activities.
- Coordinate with the federal government to combat money laundering and terrorism financing for an efficient and effective approach. In the near-term, we urge the Government of New Brunswick to invest in its enforcement and prosecution of money laundering and terrorist financing and harmonize its existing tools with the federal government.
- 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.

Introduction

The CBA is grateful for the opportunity to contribute to New Brunswick s next budget through its 2024-25 prebudget consultation.

The CBA works on behalf of more than 60 domestic and foreign banks operating in Canada and their

New Brunswick s capital taxes on prudentially regulated financial institutions is a counterproductive public policy, as the tax penalizes banks for holding large capital buffers for rising risks or as required by regulations.

Additionally, the federal government targeted banks with sector specific taxes, namely the FI Tax and the CRD. The C.D. Howe Institute stated that ultimately the biggest burden (of discriminatory taxes such as capital taxes) falls on consumers. The impact will be direct, through higher cost and reduced offerings, and indirect, as borrowing costs will raise prices and reduce goods and services available throughout the economy. [7]

The negative impact of discriminatory taxes on the financial sector is compounded by Canada s labour productivity, which is among the lowest in the G7. Taxes negatively impact investment in productivity enhancing areas of intellectual property,[8] information technology, and

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compete internationally for capital investments. One such step is the removal of sector specific taxes such as the FI Tax and the CRD.

Addressing housing affordability

The CBA believes a coordinated approach across all levels of government and housing stakeholders is

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

Strengthening financial literacy and cyber security practices

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 such programs to help Canadians.

The CBA applauds the dedication demonstrated by New Brunswick to enhance financial literacy outcomes for students. We encourage the province to expand their commitment by instituting mandatory financial education within the secondary school system, helping the next generation strengthen their
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businesses to adopt basic cyber security practices and to be aware of common frauds and scams. Cyber security is a shared responsibility, with banks collaborating with each other, the government, and law enforcement to safeguard Canada s critical infrastructure. Collaboration with the CBA and organizations such as the Canadian Centre for Cyber Security would support efforts to educate Canadians on avoiding scams, protect individuals and small businesses, and mitigate cyber security threats.

Recommendation: We encourage the Government of New Brunswick to in troduce a mandatory , standalone financial literacy course with in the province s secondary school curriculum and expand its financial literacy initiatives to priority groups. Additionally, we encourage the Department to collaborate with the CBA and federal government agencies to increase the cyber security awareness of New Brunswicker s and strengthen Canada s cyber resilience.

Consumer protection for users of payment service providers (PSP)

The payments ecosystem continues to rapidly evolve with the surge of non-traditional PSPs. PSPs are entities, including Big Tech companies, that perform payment functions as a service or business activity and currently offer financial services and products to consumers.[17] At present, these PSPs are largely un- or under-regulated and pose various risks, including the risk of loss of consund p of d a P8 (omp4p0 Td (.tI6799/n0md)-12.3

Globally, the G20 and OECD have recognized that financial consumer protection requires a more targeted set of rules than general consumer protection.[19] The key risks that these principles seek to mitigate include (but are not limited to):

- Consumers incurring fees that have not been properly disclosed by a provider;
- Consumers not having access to their funds held by a provider;
- Consumers being held responsible for fraudulent transactions; and
- Consumers not having a means of recourse in the absence of a]TJ 0 Tc 0 Tw8 ayeTj -0.06.4 (s)-8 (e i)3.am2.2 (er)- T

albeit inadvertently:

- 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);
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effective. In the near -term, we urge the Government of New Brunswick to invest in its enforcement and prosecution of money laundering and terrorist financing and harmonize its existing tools with the federal government.

Transition to net

supports New Brunswick s