

Canadian Bankers Association supports government's move towards a single securities regulator

Terry Campbell, president and CEO of the Canadian Bankers Association, agrees with the feds: the financial regulatory framework in Canada does not need wholesale change.

By THE HILL TIMES

Published May 9, 2011

What are your specific concerns with the Bank of Canada Act review? And what do you want to see in this review, specifically?

"Since the beginning of the global financial crisis, the Government of Canada made a number of changes to the financial regulatory framework in Canada. However, the system required relatively few major revisions, reflecting the strength and soundness of the Canadian banking sector that has been acknowledged internationally.

"The government had said this time around that they were largely going to do a technical review or, as Finance Minister Jim Flaherty has stated, to do 'some fine-tuning to the system,' but that 'wholesale change is not necessary.' We are in agreement with this approach and provided some of the technical changes that we would like to see in our submission."

Do the banks want or not want more consultation with the federal government on this review?

"We have a very good working relationship with the federal government, with both political staff and government officials. We think that the level of consultation that the government is undertaking with this review is appropriate. However, in our Bank Act submission we did urge the government, as a general practice, to always consult with the industry and other stakeholders prior to initiating any new regulatory requirements to better determine the scope and nature of the issue to be addressed, to explore if there are more effective alternatives to regulation, and to avoid any unintended consequences of proposed regulatory initiatives."

Do the banks want to get into auto leasing?

"The banking industry has long been on record as supporting competition and choice in financial markets and opposing measures that limit consumer choice. The prohibition on bank financial groups engaging in auto leasing is an anomaly in an otherwise open and competitive marketplace for the Canadian financial consumer.

"During the recent economic crisis, there were severe disruptions in the lease financing marketplace as key lease providers either left the marketplace or severely curtailed their leasing offers. Customers were left without access to a full range of financing options and many dealers were not able to turn to banks as an obvious source of lease financing to fill in the gap. While banks were able to meet the financing needs of many consumers through auto loans, these were not the first choice of some consumers.

"It was the government itself that most recently launched a consultation on this matter in the 2009 budget. It began looking at whether or not changes to the legislative and regulatory framework were needed. The **CBA** provided a response to the government's consultation document in May 2009.

"Although these consultations were launched in April 2009, there does not appear to have been a formal conclusion on matters or decisions yet taken on whether to provide more lease financing options for Canadians. In our Bank Act submission, we said that the federal government should use the 2012 review of the federal financial legislation to bring its consultations on auto lease financing to a conclusion."

How can Canada's banking system enhance consumer protection and what is the **Canadian Bankers Association** pushing for on that front?

"Canadians tend to have multiple relations with their banks—they have chequing accounts, mortgages, credit cards, registered savings accounts etc. This multi-faceted relationship with clients, coupled with the intense competition in the financial services sector, means that banks have a strong incentive to treat their customers well, because those customers can go to another bank if they are dissatisfied. The regulatory environment under which banks operate also provides strong consumer protections, as it applies to banking services and banking disclosure. The Financial Consumer Agency of Canada is the federal regulator that ensures banks and other federally regulated financial institutions comply with regulations as well as voluntary codes of conduct. And consumers have access to an independent and impartial complaints handling mechanism at both the bank level and industry level which they can appeal to if they are not satisfied with the way in which they have been treated.

"There are two areas where we believe there can be enhancements in consumer protections:

"Canadian Securities Regulator—The banking industry supports the federal government's move towards a single securities regulator in Canada for a number of reasons, including investor protection.

"Financial Literacy—The banking industry understands that it has an important role to play in increasing the financial literacy for all Canadians. There is a section on this in our Bank Act submission. The banks themselves have many financial literacy programs and the **CBA** does as well.

How should legislative and regulatory efficiency be improved? Is there anything specific here?

"Our views are outlined in Sec. 3 of our Bank Act submission 'A regulatory system where competition and choice in the marketplace can flourish'"

What is the **Canadian Bankers Association** pushing for on credit card interest rates?

"From time to time, there are calls for credit card interest rates to be capped. We believe that this would be detrimental to consumers. Interest rate caps do not reduce the cost of credit, but instead reduce the amount of credit available to all Canadians, limit choice and innovation in credit products, and increase hardship for households in times when ready access to credit is important to them.

"A credit card is a convenient and flexible payment tool for both consumers and retailers. Sixty-five per cent of Canadians pay their credit cards off in full every month so, for them, their credit card interest rate is zero.

"According to the Financial Consumer Agency of Canada's Credit Cards and You online comparison tool, there are more than 60 low rate credit cards available in Canada. Banks also offer other lower rate loan products such as lines of credit and account overdraft protection. Consumers should talk to their bank to find the credit card or loan that best meets their needs.

"There are many factors that go into the fees and the interest rates for the convenience that consumers enjoy with credit cards, including: an interest-free period of up to 51 days from purchase to payment; unsecured credit, where no collateral is needed which makes it a higher risk for the credit card issuer; and the cost of operating a convenient and efficient system.

"Last spring, the federal government introduced the Code of Conduct for the Credit and Debit Card Industry in Canada which all banks have agreed to comply with."

What is the **Canadian Bankers Association** pushing for on mortgages?

"We are not pushing for any reforms to the mortgage market. Our view is that we have a very efficient and competitive mortgage market in Canada, with significant regulatory oversight. Consumers have the choice of a variety of mortgage products from a number of sources (including banks) and at very reasonable rates.

"The U.S. sub-prime mortgage crisis that helped trigger the recent economic downturn was not a problem here. Banks in Canada were not involved in the same types of risky mortgages and our banks generally originate mortgages with the intention to hold them on their balance sheet. In addition, mortgages in arrears in Canada have remained extremely low (0.45 per cent of outstanding mortgages as of January 2011)."

What do you think about the possible takeover of the TMX Group by the London Stock Exchange?

"As you've seen in media reports, the banks are taking different positions on this merger. As there is no industry consensus, the **CBA** has not taken a position."

The Hill Times