Canada Begins Process of Updating Federal Financial Institution Legislation

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The Canadian Department of Finance (the "Department") has released a consultation document entitled "Supporting a Strong and Growing Economy: Positioning Canada's Financial Sector for the Future" (the "Finance Paper").

The Finance Paper is being released in connection with the upcoming review of the federal financial sector legislative and regulatory framework. Sunset provisions in the *Bank Act*, the *Cooperative Credit Associations Act*, the *Insurance Companies Act* and the *Trust and Loan Companies Act* provide the opportunity for federal policymakers to conduct regular reviews of this framework. These sunset provisions have currently been extended to March 29, 2019. The Finance Paper sets out the current landscape, identifies key trends influencing future directions and seeks input from stakeholders on these trends, related implications and areas for potential action.

The following three core policy objectives guide Canadian financial sector policy and will provide context for the review:

1. stability: the sector is safe, sound and resilient in the face of stress;
2. efficiency: the sector provides competitively priced products and services, and passes efficiency gains to customers, accommodates innovation, and effectively contributes to economic growth; and
3. utility: the sector meets the financial needs of an array of consumers, including businesses, individuals and families, and the interests of consumers are protected.

Submission Process

The Department is seeking input from stakeholders on priorities for the review and how to position the framework for the future. The review will follow a two-stage process. Submissions received during this first phase of the review will inform the development of a policy paper setting out specific proposal for public comment in 2017.

The Department has posed a number of questions for stakeholders to consider in their submissions:

1. What are your views on the trends and challenges identified in this paper? Are there other trends or challenges that you expect to significantly influence the financial sector going forward?
2. How well does the financial sector framework currently balance trade-offs between the three core policy objectives of stability, efficiency and utility?
3. Are there lessons that could be learned from other jurisdictions to inform how to address emerging trends and challenges?
4. What actions could be taken to strengthen the financial sector framework and promote economic growth, including with respect to the identified themes? How should those actions be prioritized? For example: How should the financial sector framework support innovation and competition while maintaining stability of the system? How can the financial sector framework best promote competition, including by encouraging new entrants and fostering the growth of small entities and other players? How can the benefits of an internationalizing financial sector best be obtained while ensuring the safety and soundness of the sector? How can the financial sector framework support financial firms to best serve the evolving needs and interests of consumers? Are Canada's federal financial sector oversight bodies well-positioned to support the sector in the future?
5. What other actions should be taken to ensure the financial sector framework remains modern and technically sound?

Stakeholders are invited to submit written comments by November 15, 2016.

Moving Forward

The Department notes that Canada's financial sector is entering this review from a position of strength, after weathering the 2008 financial crisis well relative to international peers. Looking back, the Department points to the fact the Canadian framework, including its approach to regulation and supervision of financial institutions, was credited globally for the sector's good performance under stress, a reputation that has benefited Canadian regulated financial institutions. Looking forward, the Department believes that the financial sector will have to adapt to new trends, including emerging financial innovation and technologies that will challenge existing business models, evolving consumer preferences and customer relationships, changing demographics, and continuing globalization. The Department believes that this review will assess whether the financial sector legislative and regulatory framework effectively supports growth and positions the sector to meet the federal government's policy objectives of stability, efficiency and utility.

We are working with a number of clients in reviewing the Finance Paper and making submissions and would be pleased to assist you in making a submission. Please do not hesitate to call or write any of the authors in this connection.

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