

**Desjardins**

**2021 Prebudget Consultations**

**House of Commons Standing Committee on Finance**

**August 7, 2020**

## Summary of recommendations

- **Recommendation 1:** That the federal government work with its provincial counterparts to achieve an economic recovery following the pandemic and to focus on a green recovery.
- **Recommendation 2:** That the government continue to consider the contribution of financial cooperatives to achieving its objectives, and adapt its programs and legislative framework accordingly.
- **Recommendation 3:** That the federal government work with personal insurers to improve all Canadians' access to the drugs they require at affordable prices.

## INTRODUCTION

The Desjardins Group is the leading financial cooperative in Canada and the sixth largest in the world. Our status within the financial industry and our position as a major socioeconomic player give us a different perspective on the many issues involved in regulating the financial industry.

That is why we would like to participate in the 2021 prebudget consultations led by the House of Commons Standing Committee on Finance. We would also like to note that the Desjardins Group is a member of the Canadian Life and Health Insurance Association and of the Insurance Bureau of Canada, and we support the recommendations made by these two organizations in their respective submissions.

## COMMENTS

Like other major Canadian socioeconomic actors, the Desjardins Group had to adapt quickly to the COVID-19 crisis. With more than 7 million members and clients and more than 45,000 employees, all affected by the pandemic to varying degrees, we took appropriate action to offer our members and clients various relief measures and dedicate the necessary resources to help employees telework.

All segments of society have been affected by the crisis, and the economy, public health, culture and education have been transformed. The serious impacts of the pandemic have also put unprecedented pressure on government finances. The Department of Finance issued an economic and fiscal update in July 2020 confirming that federal debt will rise to 49.1% of GDP in 2020–2021. This is due primarily to the contraction in economic activity and the measures taken in response, such as wage subsidies and the Canadian Emergency Response Benefit.<sup>1</sup>

Since the beginning of the crisis, the federal government has worked in cooperation with the major economic players, including financial institutions such as the Desjardins Group. This close cooperation with the financial sector has greatly contributed to effective program rollout, thereby helping individuals and businesses to quickly access the support they need.

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<sup>1</sup> *Canada: Economic and Fiscal Snapshot*, Budget Analysis, Desjardins Economic Studies, July 8, 2020.

Generally speaking, we believe the federal government needs to continue working with socioeconomic actors to help the economy get back on its feet and to overcome the crisis. No sector of the economy should be overlooked, particularly those that have been the most affected by the economic slowdown, such as culture and agriculture.

Financial cooperatives are well positioned to play a critical role in the economic recovery. The Desjardins Group offers a rare combination of capacity for action, financial stability and community involvement. We are a key player in many different economic environments, both urban and rural, that should be considered in the recovery and, more specifically, in the regulatory framework and in government's policy choices. These environments include the agriculture and culture industries, both of which have been hard hit by the pandemic and are important to Canada and especially Quebec.

The recovery is also a unique opportunity to promote green initiatives. The Desjardins Group plans to consider the climate challenge when developing its strategies for the recovery. In June 2020, we became the first financial institution in North America to sign the Powering Past Coal Alliance and, in September 2019, the first Canadian financial institution to sign Principles for Responsible Banking. We are also a Canadian leader in responsible investment products, in response to the wishes of our members and clients.

### **A vital collaboration**

The crisis has been mitigated in large part thanks to the combination of provincial and federal measures and the cooperation between levels of government. The same spirit should guide further policy development and the initiatives that had to be delayed because of the pandemic.

One such initiative is the review of the privacy framework, which is under way in several provinces. As this is a shared area of jurisdiction, all federal initiatives in this regard must consider provincial reforms. This will ensure that the framework protects privacy effectively and in a way that reflects public needs and the current reality of information sharing.

### **Pharmacare**

The personal insurance industry plays a vital role in Canadians' lives, particularly in times of crisis. The industry fully supports the Government of Canada in its desire to ensure Canadians have access to all the medications they need, regardless of their income or place of residence.

The public and private regimes can work together to bring down the cost of the current system by jointly negotiating drug prices and thus help the government achieve its objective of providing affordable drugs to everyone who does not have access to them, address current gaps and reduce the cost of expensive drugs. In addition, this approach will limit the possible costs of a process not be driven by public-private collaboration and consider the well-being of all Canadians, including the 70% of Canadians who are already covered by a group plan.

### **Regulating the financial sector**

As a financial institution of systemic importance, the Desjardins Group has participated actively in the rollout of federal and provincial initiatives, and this ongoing cooperation is vital to the post-COVID-19 economic recovery. The government needs to consider the views of the cooperative financial industry and particularly the structure specific to the Desjardins Group, which is both a strength and a challenge.

It demands special attention and sometimes adjustments to programs and the traditional legislative framework without compromising prudential regulation.

It is vital for the government to recognize and understand this different financial model. This encourages diversity among participants and equal access to the market for all financial institutions under prudential regulation in Canada. Organizations like financial cooperatives would be able to enhance Canada's economy by applying their long-term vision and concern for the well-being of individuals and communities. This perspective guides us in our interactions with members and clients as we help them during the economic recovery and support it to the best of our ability.

We encourage the government to continue to reflect on how financial cooperatives help it achieve its objectives regarding the stability of the financial sector, economic development and climate change. In order to contribute, the Desjardins Group must be able to access business opportunities to the same degree as federally regulated financial institutions. This access clearly supports healthy competition, which benefits the public and encourages a stable financial system.

As the government pursues its modernization process and navigates a very uncertain economic and social environment, we believe it is critical to work closely with provincial authorities before making changes and policy decisions. This approach will allow financial cooperatives to evolve within a legal and regulatory framework that recognizes their circumstances and to continue contributing to the diversity and stability of Canada's financial system.

We would be pleased to discuss the issues presented in this submission with the members of the Standing Committee on Finance and we will continue to participate in consultations on areas of interest to the Desjardins Group and its close to 7 million members and clients.