

Leveraging the power of e-commerce to drive a safe and secure economic recovery in Canada

Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget

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List of Recommendations

1. The Government continue to invest in Canadian entrepreneurs and small businesses to spur innovation, accelerate growth and create jobs.
2. Move forward with tabling the Retail Payments Oversight Framework Legislation to support a thriving digital payment ecosystem in Canada.
3. Resume consultations on open banking and implement actions to give Canadians more control over their financial health.

Introduction

The COVID-19 pandemic has had a profound impact on the global marketplace. Recently businesses and customers have learned a lesson in just how critical it is for businesses to both be virtually present and fully operational. When consumers are stuck at home — no matter what the reason — they depend on the accessibility of online shopping. As Canadians migrated to online services and stores to meet their basic needs during the shutdown, sales for virtually everything went digital — from educational tools, to buying groceries and other essentials, to specialized products and services that were previously never before sold online. This rapid growth in e-commerce was, in large part, powered by small and medium-sized businesses (SMB's) in Canadian communities from coast-to-coast.

However, the ripple effects of pandemic-related shutdowns of local, regional and national economies have been devastating for many businesses. Across the country, entrepreneurs found themselves caught off-guard by the widespread disruption to daily life while also facing difficult questions about how to move forward in a new climate of uncertainty. Seemingly overnight, e-commerce and online services became a lifeline that even reticent Canadian consumers and companies embraced wholeheartedly, leading to accelerated innovation in e-commerce. While the pandemic will eventually end, this new way of doing business is here to stay.

Stepping up to serve the underserved

As SMB's quickly pivoted to selling their products and services online, businesses had to scramble to find cash to avoid layoffs and bankruptcy. For many, government supports like the Canada Emergency Wage Subsidy and loan programs were tremendously helpful, but ultimately, not enough.

In particular, the swift economic downturn highlighted the tremendous need for quick and efficient access to capital for businesses that is difficult to obtain through traditional financial institutions. This has given us the opportunity to continue to build new financial services to better meet the needs of those in the Canadian workforce who may be particularly underserved by what's out there today. Consider that 3 per-cent of Canadians do not have bank accounts and 15 per-cent are seen as “too risky” by traditional financial institutions. ¹

¹ <https://www.canada.ca/content/dam/fin/migration/consultresp/pdf-pssge-psefc/pssge-psefc-03.pdf>

When the pandemic hit, PayPal put in place a set of relief measures to help its more than 24 million merchants around the world impacted by the coronavirus, including waiving certain fees and deferring repayments on business loans for some of its most affected small business customers.

PayPal is committed to pursuing innovation, making investments, cultivating partnerships, and helping Canadians to improve financial health. Even before COVID-19, we introduced the PayPal Business Loan in Canada to enable small business owners to easily access loans of \$5,000 to \$100,000 at competitive rates. From digital invoices and getting paid, to opening up online stores and offering mobile payment solutions — we're helping small business owners achieve their dreams. And we want to do even more as Canada enters a period of economic recovery.

Fintech can help lead the way

A [Salesforce Canada survey](#) found 30 per cent of business owners feel “unprepared” to reopen brick and mortar store. 53 per cent of Canadian businesses say they know they need technology to stay relevant in the current economic environment, but “don't know where to start.”

As a leader in the digital payment revolution for more than 20 years, PayPal's mission to make commerce more convenient, affordable and secure has never been more critical. We believe there is an important role for fintech companies like ours in filling critical gaps in the evolving financial services sector and we look forward to working with policymakers to chart a path forward as Canada emerges from the coronavirus crisis. With the right mix of regulation and oversight, the federal government can help foster innovation, growth and adaptation in this new era of digital commerce. The following submission outlines how this can be achieved.

Empowering small and medium businesses to drive digital commerce

Today, anyone with a smartphone has a retail store, transaction platform, distribution network and global supply chain. This empowers anyone — from a mother selling masks out of her home in downtown Vancouver to an online jewellery shop run by Indigenous women in Six Nations of the Grand River Territory — to reach a vast customer base with the swipe of a finger.

For the government to ensure these and other small and medium businesses can reach their true potential in the economic recovery, it must create the conditions to support their adoption of growth-enabling digital technologies. Encouraging and promoting digitization of even more Canadian businesses can support more inclusive growth and trade by expanding opportunities for those who are currently underserved.

Part of this is ensuring the broadband infrastructure is in place to allow entrepreneurs in remote Canadian communities to connect to their customers through secure, high-quality networks. Another part is enabling the safe, efficient and reliable movement of money through the right mix of legislation and regulation.

As Canada enters the recovery phase, the Government of Canada has an opportunity to modernize technology, rules and standards governing the payments sector while encouraging small and medium businesses to invest in the tools they need to expand their reach and revenues. PayPal would like to see the government move forward in tabling the Retail Payments Oversight Framework legislation. While we appreciate the work underway by the Department of Finance and The Bank of Canada to deliver this framework, we believe it is imperative the enabling legislation is tabled as soon as possible. Continued collaboration with industry will ensure legislation and regulations foster healthy innovation and economic growth while ensuring consumer protection and privacy.

As technology evolves, it's important that regulation adapts. PayPal welcomes efforts to modernize regulations, to ensure that our payments systems are reliable, safe, convenient and more affordable for Canadians. With the ability to move data and information quickly and efficiently to facilitate accurate and convenient service to customers, fintech companies like PayPal can help to unlock the true potential of Canada's small and medium businesses as the country recovers from COVID-19. We look forward to working with policymakers to promote economic growth that meets the needs of Canadian companies and consumers alike.

Recommendations:

- That the government continue to invest in Canadian entrepreneurs and small businesses to spur innovation, accelerate growth and create jobs.
- That the government enact the Retail Payments Oversight Framework legislation to support a thriving digital payments ecosystem in Canada.

Modernizing financial services to promote inclusion and innovation

Fostering transformation and further growth in the Canadian online marketplace will require modernizing the rules around how financial data is shared between consumers, their banks and other third-party providers. Even before COVID-19, the Senate Committee on Banking, Trade and Commerce called for the Government of Canada to give Canadians the means to share

their financial data safely and securely by facilitating open banking. The report noted “the rapid adoption by Canadian consumers of new banking technologies, such as data aggregation and robo-advisors, has created the need for fintech companies to be able to access this data easily and seamlessly.”²

Open banking can facilitate faster adoption of FinTech and can catalyze the economic potential of financial services in Canada, while enhancing privacy and security through some key features.

First, open banking is consumer centric. It enables parties to share data more effectively whereby consumers gain increased control over their own information.

Second, open banking drives innovation. Over the past several years, FinTechs have developed innovative open-banking enabled products and services that help consumers manage their financial lives, expand financial offerings and access to financial services, lower costs, improve financial management, provide more affordable options, and increase transaction security.

Third, open banking can leverage industry’s best practices around privacy and security. This would enable for the safe and secure access and storing of consumer financial data.

Perceptions around privacy, security and protection of financial data are directly linked to consumer confidence. As such, consumers must have safe and secure access to their financial information.

This pandemic has renewed the urgency for the Government of Canada to consult stakeholders and take action on open banking. More third-parties are accessing Canadians’ financial data and the global marketplace is increasingly moving towards an open banking model.

Empowering people to decide where and how their financial data is used and by whom will make the system more transparent and inclusive and position Canada as a global player in innovation, data and technology in the recovery phase. It will save Canadian consumers money and improve their financial health, while also helping Canadian businesses to innovate and attract more customers with seamless technologies.

Modernizing how financial data is shared will require stakeholders across the board to work together to develop a framework to ensure the best possible system for Canadians. PayPal looks forward to supporting the government’s next phase of the study into the merits of open banking and enhancing protection for consumer-driven data sharing in the financial sector. A

² “Open Banking: What it Means for You” Senate of Canada
https://sencanada.ca/content/sen/committee/421/BANC/reports/BANC_SS-11_Report_Final_E.pdf

robust but lean regime will allow for even more innovation and competition in Canada's financial sector.

Recommendation:

- That the Government of Canada complete consultations and move forward on an open banking framework to give Canadians more control over their financial health and support a growing ecosystem of globally competitive Canadian firms.

Conclusion

Once considered a luxury, digital commerce has been redefined by the pandemic as a necessity. Canadian entrepreneurs are emerging from the COVID-19 crisis with new business models and new opportunities for growth, regardless of whether they operate in rural or urban settings. These small businesses have the potential to make an outsized impact on the economic recovery in their communities which will have a multiplier effect across the country.

While challenges remain on the path to realizing the true potential of e-commerce in Canada, the opportunities are immense. If we can put in place the right tools and systems to help Canadian businesses embrace digitization and mobile payments, we can expect to generate economic growth and a more inclusive economy.

PayPal stands ready to help people and businesses — especially those new to the e-commerce universe — adapt to the new reality of COVID-19 and uncover new ways to contribute to the local, national and global economy. We are constantly evaluating ways we can leverage our network, technology and offering to assist even more Canadians during this unprecedented time. We look forward to working with the government and other stakeholders to ensure we put in place the right systems to position Canadian consumers and businesses for an innovative economic recovery and success on the global stage.

About PayPal

PayPal has remained at the forefront of the digital payment revolution for more than 20 years. By leveraging technology to make financial services and commerce more convenient, affordable, and secure, the PayPal platform is empowering more than 300 million consumers and merchants in more than 200 markets to join and thrive in the global economy.

PayPal offers Canadians a convenient and secure payment experience online. As a leader in financial technology, we believe in providing simple, affordable, secure and reliable financial

services and digital payments that enable the hopes, dreams and ambitions of millions of people around the world, and right here at home in Canada.

For more information, visit paypal.ca.