



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



## **Summary of Recommendations**

### **Recommendation 1**

That the government adopt the recommendations of the Advisory Committee on Open Banking and move swiftly to establish the core foundational elements of an open banking framework that will benefit millions of Canadians by no later than January 2023.

### **Recommendation 2**

That the government amend the Canadian Payments Act to give RPAA-regulated fintechs timely access to Canada's national payment systems, such as Payments Canada's real-time rail.

### **Recommendation 3**

That the government ensure the regulation of virtual currencies and digital assets protects Canadians and promotes Canada's economic competitiveness.



## About Wealthsimple

Wealthsimple is on a mission to help everyone achieve financial freedom, no matter who they are or how much they have. We do that by building powerful financial tools for people to grow and manage their money.

Founded in 2014 as an automated investment manager, Wealthsimple now provides digital financial services to more than 1.5 million customers in Canada, approximately 80 percent of whom are aged 45 and under. We offer a suite of online financial products that simplify major financial pain points including payments, automated investing, self-directed trading and tax filing. Our products are low-cost, easy to understand and readily available online. We believe this is essential for helping Canadians adopt prudent financial behaviour. Fifty-one per cent of Wealthsimple investment account holders are first time investors and we take seriously the opportunity to be their trusted partner.

A remote-first company, our more than 730 permanent full-time employees in Canada reside in 9 provinces across the country from Victoria, BC to St. John's, NL, in large cities like Toronto and smaller communities like White Rock, BC, Belleville, ON and Fall River, NS.

Wealthsimple recently announced a \$750 million venture capital investment. To our knowledge, this is the largest private technology investment in our country's history. Primarily foreign investment, this is money coming into Canada from a global investor base and some of the world's premier tech investors. This capital is being put to work here in Canada hiring highly skilled talent motivated to give Canadians more, and more powerful, financial products; more efficient ways to grow and manage their money; and make sure that the door to financial freedom is open to every single Canadian.



## The Fintech Landscape Today

Canada punches above its weight in fintech. By several objective metrics - foreign investment, venture capital funding and IPOs - Canadian firms are armed to compete for talent and build world-class products. Canada has all the ingredients to become a global leader in fintech, but competition is fierce and global.

The pandemic has pushed more and more services online, creating what should be the perfect conditions for an ambitious and rapidly growing Canadian company like Wealthsimple. However, the lack of progress on key policy issues is cause for grave concern. Research has shown that jurisdictions with supportive regulatory regimes and other incentives enable fintech companies to rapidly grow and flourish. By this measure, Canada is lagging. Further delays to reform payment and banking legal and regulatory frameworks will handicap Canadian fintechs from capitalizing on the post-COVID increase in digital activity and prevent Canadians from accessing the highest quality and lowest cost products and services.

A recently released Review of UK Fintech commissioned by the UK Treasury affirmed,

*Fintech is not a niche within financial services. Nor is it a sub-sector. It is a permanent, technological revolution, that is changing the way we do finance. Its essence is in both fast-growing fintech companies, and the investment and use of technology by our incumbent financial institutions. It's in the way we regulate previously unknown technology and set new standards. But most importantly, it's about delivering better financial outcomes for customers, especially consumers and SMEs. We want to deliver these outcomes across the UK and export them to the world...Above all, it is about building markets for this innovation to grown into. A great product will not succeed without a strong customer base, adequate regulation, access to data, skills and capital. It is this holistic approach that I have striven for in this Review. And it must be done now.*

This approach is yielding results. UK Fintechs raised more than \$5.7B in the first six months of 2021. UK's legal and regulatory regime have allowed for more fintech innovation, and companies that are successful in the UK are eyeing the Canadian market. With years of experience in-market they are iterating and improving their products based on real customer interaction. The inability for homegrown firms to do the same puts Canadian fintechs at a significant disadvantage and risks eroding any home field advantage once changes are implemented.

As the government looks to rebuild the Canadian economy post-pandemic, Wealthsimple looks forward to supporting the government's stated ambition for "a strong, stable, and innovative financial sector that is globally competitive, promotes consumer choice, prioritizes data privacy, and contributes to economic growth."



## Recommendation 1

**That the government adopt the recommendations of the Advisory Committee on Open Banking and move swiftly to establish the core foundational elements of an open banking framework that will benefit millions of Canadians by no later than January 2023.**

- Open banking is an important step towards democratizing banking in Canada and ensuring consumers have control over how their personal information is shared. If implemented in a meaningful way, it will radically improve Canadians' financial lives by creating a more innovative banking landscape and the creation of more equitable products.
- After years of research and consultation, the Advisory Committee on Open Banking has proposed a framework that is inclusive to all sizes of businesses and industry participants, with mandatory participation by Canadian banks. This approach, along with a decentralized and transparent accreditation process that is managed by an arm's length organization, will maximize the benefit of open banking for Canadian consumers.
- Time is of the essence to protect and empower Canadians with access to a wider range of useful, competitive and consumer friendly financial services. The government should move forward immediately to appoint an open banking lead who has a clear mandate and specific timelines to establish the core foundational elements of an open banking framework.
- Open banking is built on the foundation of data portability rights like those currently included in Bill C-11 the Digital Charter Implementation Act, 2020. Providing Canadians with a right of mobility for their personal information will stimulate competition that will benefit consumers.
- While work begins on the Advisory Committee's recommendations, further consideration should be given to the next phase of consultations on key issues such as write access and payment initiation to ensure the full benefits of open banking become available to Canadians.



## Recommendation 2

**That the government amend the Canadian Payments Act to give RPAA-regulated fintechs timely access to Canada's national payment systems, such as Payments Canada's real-time rail.**

- Fintechs regulated by the Retail Payment Activities Act should be eligible under the Canadian Payments Act to access national payments systems, including Payments Canada's real-time rail when it is activated in 2022.
- Access to the national payments infrastructure by regulated fintechs like Wealthsimple would unleash massive opportunity for new products and services that could lower fees and provide more customized service for Canadians. Further it would better position Canada as a global leader in payment innovation and a more desirable destination for top talent.
- There is significant opportunity to learn from other jurisdictions such as the UK that have expanded access to national payment systems to the benefit of consumers, without eroding security or stability.



### Recommendation 3

**That the government ensure the regulation of virtual currencies and digital assets protects Canadians and promotes Canada's economic competitiveness.**

- The government should take a strong leadership role to enable Canadian businesses and consumers to leverage blockchain technology in areas of payments and digital infrastructure. Discussion so far has focused primarily on current applications of blockchain technology, such as cryptocurrency trading, but we must also look ahead and eliminate hurdles to future crypto innovation that will inevitably impact gaming, art, payments and other industries.
- The government has an opportunity to carve a clear path for Canadian businesses innovating in the crypto sector to grow their businesses in Canada while competing on a global scale. Canada should adopt a new regulatory framework that responds to the unique features of blockchain technology. With the right framework, Canada can be a world leader in responsible crypto innovation.
- Canada needs to take a holistic approach to regulating blockchain, crypto and related technologies. The design of a crypto regulatory framework necessitates consultation from a broad range of industry participants, including technology companies, banks and payments providers.

