

OECD Forum: Restoring Trust in the System
Finance Regulation and Consumer Protection

Intervention by Mr. Ted Menzies, Minister of State (Finance)

Thank you for this opportunity to participate in such a historic few days at the OECD. Canada considers this organization and discussions such as this to be a vital source for the ideas, standards and norms that shape policy and strengthen the global economy. So I'm pleased to contribute a Canadian point of view to this forum. I say this because I believe Canada has a unique perspective to offer on financial regulation and consumer protection.

Let me start by saying that Canada's resilience during the recent global downturn, a resilience exemplified by the strongest employment growth and one of the strongest economic recoveries in the G7 was due in large part to the strength of our financial sector. In fact, I would say Canada stands as a model of financial regulation for the world to follow.

At a time when globally, banks and insurance companies lost \$1.8 trillion, Canada did not suffer a single bank bail-out or failure. In fact, for three years in a row, Canada's banking system has been ranked the soundest in the world by the World Economic Forum. More recently, five Canadian financial institutions were named to Bloomberg's list of the world's strongest banks, more than any other country.

Reasons for this performance aren't hard to find, particularly during a crisis that demonstrated that the global financial system was under-capitalized and over-leveraged. Canadians went into crisis much better capitalized than many of their international peers. Canadian banks were required to adopt and exceed the Basel II capital standards, both in terms of tier 1 capital and common equity. In addition, Canada had a regulatory limit on leverage for banks, even though there were no international standards on the use of leverage when the crisis hit. In fact, I would argue that financial reforms that are taking place post-crisis have a Canadian flavour to them.

The recently adopted international capital and liquidity standards, known as the Basel III which Canada supports and will implement reflect this Canadian approach.

During the global financial crisis, Canada could also count on strong on the ground supervision of financial institutions by our superintendent of financial institutions. This office provides consolidated supervision over financial institution subsidiaries, both domestic and international. This holds a single prudential regulatory umbrella over a large share of Canadian financial sector activities. The superintendent is part of a nimble and logical regime for financial sector oversight in Canada. They also include the department of Finance, the Bank of Canada, the Canada Deposit Insurance Corporation and the Financial Consumer Agency of Canada. This regime has enabled us to avoid some of the supervisory pitfalls that have emerged in other places.

Under the Canadian framework, it is always clear who is responsible for what, then add to that a prudent mortgage market, responsible lending practices and ongoing steps to protect and strengthen the Canadian housing market. I think you can see why Canada is regarded as a symbol of financial stability. As the title of this panel discussion illustrates however, consumer protection must always be an essential part of restoring trust in the system. That is why the government of Canada has also paid particular attention to the needs of consumers of financial products and services.

As financial products and practices evolve and become more complex, the impact on consumers needs to be monitored and their interests at time safeguarded through regulatory action. Canada's legislative and regulatory framework focuses on providing consumers with appropriate and timely information to make informed financial decisions, as well as protecting them from business practices that may not be in their best interests and encouraging greater access to financial services.

Canada also has a dedicated consumer protection regulator. The Financial Consumer Agency of Canada is responsible for ensuring that federal regulated financial institutions comply with these requirements. In addition, the agency assists consumers with financial enquiries and develops educational activities to keep consumers in the financial sector marketplace well informed. The government is committed to reviewing its framework and keeping up with the evolving markets and products to protect Canadian consumers while also helping them manage their financial – personal financial systems more effectively.

Recent initiatives include new requirements for clear and simple information on credit card application forms and contracts, timely advance notice of changes in rates and fees, improved credit business practices such as a minimum 21-day grace period on any new purchase and new limits on debt collection practices. We are currently finalizing regulations that will further protect consumers of financial products and services. Included is an end to financial products being offered on a negative option billing basis. Federally regulated financial institutions are required to ask consumers for their express consent before providing a new product or service.

I would also note that this panel shouldn't overlook the importance of financial literacy as a compliment to efforts to better protect consumers. In Canada, we believe that they go hand in hand. In 2009, our government established an independent tax force to make recommendations on a cohesive national strategy on financial literacy. The government responded to the recent report by announcing its intention to appoint a financial literacy leader and provide ongoing funding to promote national efforts in this area.

In the interests of time, let me close by saying how essential it will be that we all learn from each other's best practices and good ideas. If we heed the hard-earned lessons only a global crisis can teach, and collectively take steps to make the international financial systems stronger, we will have come a long way towards ensuring the collective trust this forum is seeking today. Thank you.