

DEPARTMENT OF FINANCE LAUNCHES CONSULTATION ON SECURITY AND INTEGRITY, ACCESS TO BANKING, AND PROTECTIONS FOR DIGITAL FINANCIAL PRODUCTS

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On October 5, 2023, the Department of Finance (the “**Department**”) launched [a public consultation](#) on the statutes governing federally regulated financial institutions (“**FRFIs**”), seeking feedback from consumers, financial sector market participants, academics, and civil society groups. The Consultation signifies yet another legislative move to identify and tackle emerging risks in the financial sector, working in tandem with the expansion of the supervisory mandate of the Office of the Superintendent of Financial Institutions (“**OSFI**”), as detailed in our [prior bulletin](#) and OSFI’s [consultation](#) initiated on October 13, 2023 on a new draft guideline setting out expectations for the integrity and security of FRFIs.

Key Considerations

Views and submissions are particularly being sought on how the federal *Bank Act*, the *Insurance Companies Act*, and the *Trust and Loan Companies Act*, along with related legislation, regulations, and policies should evolve in response to emerging trends. The Consultation poses a series of pertinent questions, as described below.

National Security and Integrity

The Department is interested in views on how emerging trends may impact national security and integrity, as well as potential modifications to the legislative framework. Specifically, the Department is soliciting feedback on:

- identifying emerging risks to the security and integrity of the Canadian financial sector, and
- determining if any additional measures are needed to protect the security and integrity of the Canadian financial sector.

Sectoral Structure

Beyond specific measures, the Department is considering the impact of structural changes, and seeking

submissions on:

- the risks and benefits associated with potential consolidation in the federal financial sector,
- possible modifications to the federal legislative and policy framework to protect Canadian consumers and maintain the financial sector's integrity,
- risks and benefits from the emergence of new financial services providers, and
- whether changes are needed to Canada's legislative framework in the financial sector, considering the global expansion of FRFIs, to protect the best interest of Canadians.

Consumer Protection

The Consultation also calls for views on how emerging technological and geopolitical trends impact Canadian consumers' access to banking services. In particular, the Consultation seeks insights on:

- additional protections to ensure Canadians receive high-quality, affordable banking services,
- barriers Canadians face when accessing banking services and solutions to address such barriers, and
- whether sufficient protections are in place to protect Canadians using innovative or digital financial products and services.

Although not specifically mentioned, open banking [has the potential to improve access to, and efficiency of, banking services](#). This may be one area that the Department is hoping to hear about in the Consultation responses, even though [Canadians' awareness and understanding of open banking is low](#).

Framework Modernization

Acknowledging the surge in artificial intelligence and technological advancements, the Department is interested in views and submissions on:

- potential ways to incorporate AI and other innovations into the financial sector and adjustments to the Department's framework to maximize benefits and control associated risks; and
- possible updates in the framework to adapt to the technological trends and modern business practices.

Comments or feedback in response to the specific questions identified in the Consultation may be submitted until December 4, 2023. Submissions received by the Department will be used to aid the development of legislative, regulatory, and policy frameworks.

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A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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