

Readout - banks call

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A very productive call, with some helpful advice in a few places on framing about the financial system as a whole.

Anthony – you may want to see the DPM's exchanges with the new CEO of **Persona**.

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DPM: Let me start by saying all options are on the table and we take very seriously what is happening. Want your inputs on what we might do.

Will start with **Perso**, and thank you to **Pe** for what you did this week.

Personal Info. [REDACTED]: Canada's reputation is at stake. I am very proud of the Canadian banking system this week, we have responded well. But if you have information on particular people we need a way to share that information. The big hole in our financial system is these platforms, which are effectively money service businesses that are not being regulated as such.

DPM: And what would you need for us to do on that?

Per I am told that this is a Public Safety lead but if you list them as people subject to sanctions (i.e. as if they are terrorists) we could act swiftly. But we likely need new rules to deal with this kind of situation, especially to regulate the platforms too.

What we did on Friday was precisely because of what our AML systems were able to identify. BUT we are taking a big reputational hit, lots of backlash on social media for it. Fox News is telling people to take their money from us. We need your help to find a better way to communicate with Canadians.

DPM: I am very prepared to come out and speak about this. This is an attack on democracy. We need to educate Canadians about this.

Personal Info. [REDACTED]: This also highlights why we need to be concerned about balanced approach between open banking as offense for innovation, while also shoring up our defences. If we are going to respond here, this cannot be just about the banks. It has to be about all of the financial system. There are 6,000 different businesses they could use to move funds in Canada.

Canada's reputation is indeed at risk. We need to show the world proactively that we won't let this happen again and that our trade corridors will remain open. We should think about putting the military in place to keep the border crossings moving even after the protestors are removed. To send a clear signal.

DPM: Couldn't agree more with those points. We must make clear that 1) we will resolve this 2) we won't let this happen again.

Sabia: To your point **Pers** about the broader financial system, what could that mean?

Per: Need to include everyone in what you do, not just banks.

Personal Info.: I am very concerned about the banking system being seen as a political weapon of the government. We can't politicize the banks.

DPM: Explain that...

Pers If we are directed to close accounts, etc. that could be seen by critics as the sector being used as an arm of the government. A few points to keep in mind:

- Need to start talking about post-pandemic economics. 90%+ of Canadian adults are vaccinated yet we have the greatest restrictions in the OECD. Because of that we are getting lots of questions about what is happening in Canada.
- Need to show a plan for how to remove restrictions.

Personal Info.: We need court orders to act. We had identified an individual who is an organizer who had several hundred thousand dollars move into their accounts, we flagged it to Fintrac and started work on a court order and because of the delay of 4 hours, the money was withdrawn before we could stop it.

DPM: Was the problem there because of a gap in the current system or because it moves too slowly?

Person hours was too long. The problem is AML is focused on finding bad money turning to good. This is about good money turning to bad. As **Perso** said, if we listed them as terrorists we could move fast.

And let's be clear, they will eventually all move to crypto. The money has to go somewhere. If we list them as terrorist we could act more comprehensively.

Per: To **Pers** point we at **Per** don't even have a court order yet. We just filed.

Personal Info.: PayPal and Stripe are big unregulated parts of the system as payment processors. Need to bring them into the regulated system.

We have spent billions to work on AML. But the key is having the info to find people. We need to find a way to share info. Perhaps we can all build a utility model to share that between government and institutions.

Personal Info.: Agree with my colleagues. The reputation at Canada is at risk. Just spent a lot of time in the US last week, and we were being called a "joke" by people. I had one investor say "I won't invest another red cent in your banana republic in Canada". That adds to an already tough investment perspective on Canada.

In terms of economic impact, we see this stuff cutting GDP by 10 basis points per week in Q1.

US already doing better because of lack of restrictions.

If you labelled these guys terrorists we could act quickly. We need to bring the privacy commissioner in proactively.

This is a national crisis you need to act immediately.

DPM: You all need to know, I think this is indeed a crisis. It is a threat to our democracy and to peace, order and good government.

I care about privacy but I also care about restoring order in our society.

All options are on the table.

This is not just a job for Finance, but since the economy has been hit we are very much involved. Please tell everyone you talk to that we will resolve this, and we will not let this happen again.

To **Person**: If the investor you speak of is American, tell them we are not like the USA who had people literally invade their legislature. If they are a Brit, remind them of Brexit. If they are French, remind them of the Yellow Vests. If they are German, look at how badly they are handling Russia right now.

Our report card looks not to shabby. And we have come through COVID well. We have avoided so many more deaths and the economy is strong.

To **Person**: I am very resolute in ending this occupation of our democracy. But I will never support negotiating with those who hold our democracy hostage. No good thing comes of that.

Let us all live in the truth – the trucker mandate was also imposed by the USA. And the vast majority of restrictions were imposed by provinces, by Conservative governments.

Don't be confused that this is about a public policy issue. You don't shut down the Ambassador Bridge because of a public policy view.

We have to ensure Canada doesn't enter a post-COVID, January 6th spiral.

I hear you all on the importance of talking about this as the financial system, not just banks. I hear you on your concerns about open banking.

We all must act as leaders right now.

We are considering all options, some of which in normal times would be seen as draconian. And you've all highlighted some ideas we are already looking at.

Sabia: We will not take you by surprise, we will keep you updated before we do anything and make sure you are comfortable and that it is implement-able.

DPM: Thank you to all of you. You've done a lot for Canada during COVID. And it matters a lot to me, that as part of our western democracy, we have a banking system in Canada that is anchored by

banks owned by Canadians, headquartered in Canada, and that we can get on a call quickly on a Sunday afternoon like this to respond to threats.

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