

ISSUE PAPER: ATM FEES

ISSUE: On January 25, 2007, NDP Leader Jack Layton called on the Conservative minority government to make amendments to the *Bank Act* that would eliminate fees for using ATMs. Specifically, the NDP ATM amendments to the banking laws would eliminate fees for using a customer's own bank's ATMs and for using a competing bank's ATMs. Following Mr. Layton's announcement, the Canadian Bankers Association issued a release that defended bank charges for using a competing bank's ATM, but remained silent regarding charges at a customer's own bank's ATMs

In response to the NDP's call for the abolition of ATM Fees, federal Finance Minister Jim Flaherty indicated his interest in finding out why Canadian banks charge fees to their customers while banks in some other countries do not. On February 2, 2007, Canadian Central met with Minister Flaherty to discuss a broad range of issues concerning the financial services sector and the credit union system, however the ATM fee issue dominated the meeting. Minister Flaherty met with representatives from the large banks during the spring of 2007 to clearly understand the banks' position. Those meetings resulted in little or no change in the banks' position on ATM fees.

Minister Flaherty instructed the House of Commons Standing Committee on Finance to hold hearings on ATM fees. On April 19, 2007 Canadian Central appeared before the Committee on a panel comprised largely of representatives from the large banks. Canadian Central highlighted two key points of contrast between credit unions and the banks on the subject of ATM fees: the existence of surcharge-free, inter-credit union networks in the credit union system; and the manner in which credit unions set fees locally. On a point of agreement with the large banks, Canadian Central stated its view that there would be no apparent public benefit from the regulation of ATM fees. To date, the Committee has not issued a report on the ATM fee study and the issue has dissipated in national news media.

POTENTIAL IMPACT ON CREDIT UNIONS: Government regulation of ATM fees aimed at limiting surcharging may undermine the transparent nature of ATM fees, as they currently exist, and could reduce the availability of ATM services to the Canadian public.

CANADIAN CENTRAL POSITION:

- Canadian Central is not in favour of the government regulating fees charged by financial institutions. Currently, the ATM surcharge, where it exists, is a fee that is both transparent and avoidable. Regulation aimed at limiting surcharging is likely to undermine the transparent nature of the fee and would likely reduce the availability of ATM services to the Canadian public. We do not see public benefit in the regulation of ATM fees.
- Credit unions set convenience fees locally for the financial services obtained by their member customers, including ATM access fees. The credit union system is comprised of 498 credit unions which each design and provide their own fee packages separately and independently in the communities which they serve. Member customers of credit unions are also the members and owners of their credit unions and they annually elect the board of directors of the credit union. So - if credit union members have views about the

fees charged by their credit union - favourable or unfavourable - they have very direct ways in which to assert these views at the level of the board of directors and senior management of the credit union.

- Individual credit unions, being community-owned financial institutions, typically do not have large and extensive branch and ATM networks. For this reason and for competitive reasons, credit unions participate in ATM networks that provide their members with surcharge-free access to cash withdrawal services on a national basis. One of these networks is known as ACCULINK. ACCULINK is a credit-union only network. It is comprised of more than 400 credit unions and provides access to approximately 1500 ATMs on a surcharge free basis across Canada. Many credit unions also participate in the EXCHANGE network along with a few smaller banks. Through participation in one or both of these networks, and depending on the credit union, members have surcharge free access to between approximately 1700 and 2700 ATMs across Canada. This is an important service to members, enabling credit unions to maintain competitiveness with the extensive ATM networks of the large banks.

ISSUE STATUS/OUTLOOK: To date, the Committee has not issued a report on its ATM fee study and the issue has dissipated in national news media. It should be expected that the Committee will release a report on the issue once Parliament resumes in fall 2007.

RELATED DOCUMENTS:

NDP press release of January 25, 2007: <http://www.ndp.ca/page/4796>

CBA press release of January 25, 2007:

<http://cba.ca/en/viewDocument.asp?fl=5&sl=13&tl=364&docid=724&pg=1>

Full transcripts of testimony before House of Commons Standing Committee on Finance on ATM fees may be viewed at:

http://cmte.parl.gc.ca/cmte/CommitteeList.aspx?Lang=1&PARLSES=391&JNT=0&SELID=e21_&COM=10479

Credit Union Central of Canada Submission to the House of Commons Standing Committee on Finance on ATM fees: http://www.cucentral.ca/ATM_Fees_Letter_april07

Private Members' Bill C-429: http://www2.parl.gc.ca/content/hoc/Bills/391/Private/C-429/C-429_1/C-429_1.PDF