



July 18, 2018

Department of Finance
90 Elgin Street
Ottawa, Ontario, K1A 0G5
FIN.Pensions-Pensions.FIN@canada.ca

In response to the consultation paper *Modernization of the Unclaimed Balances Regime and Proposals for an Unclaimed Pension Balances Framework*

Dear Department,

We appreciate the chance to comment on the unclaimed balances regime. We focus our comment on a topic not addressed in the consultation paper: **the use given to unclaimed balances while they are held by the Bank of Canada.**

We believe that a public discussion on modernizing the unclaimed balances regime to better serve Canadians must address the possibility of shifting some of these balances from low-yield government securities to forms of investment that better serve Canadian communities. **It is our opinion that steps should be taken to assess the feasibility of such shift.**

The Department's first goal is, rightly so, to reunite owners and their balances. However, we believe that unclaimed balances should be used in a way that maximizes public value while they remain in the Bank of Canada's custody. **We recommend a new regime that allows a share of unclaimed balances to be invested differently (at higher risk and higher return) during the periods that the balances wait for their owners to claim them.** A reserve could protect owners' ability to claim their balances and a prudent investment strategy could safeguard the government's revenue.

The Department may look to the UK and Japan for examples of regulatory regimes that both protect an owner's right to claim her or his balance and that put unclaimed balances to public good.¹

We believe that the use given to unclaimed balances during the holding period should remain part of the conversation.

We expressed a similar position in a comment submitted on September 29, 2017 in response to *Potential Policy Measures to Support a Strong and Growing Economy: Positioning Canada's Financial Sector for the Future*. Please refer to it for detail on the opportunity cost of the Department's current policy.

We would welcome the opportunity to discuss these ideas in more detail. Please contact Duncan Farthing-Nichol (dfarthing-nichol@marsdd.com) with any questions.

¹ Japan passed a law in 2016 that opened the way for unclaimed balances to finance social welfare activities (Wall Street Journal. *Japan to Take Dormant Bank Deposits for Charity*. 2016. Retrieved from: <https://www.wsj.com/articles/japan-to-take-dormant-bank-deposits-for-charity-1480663291>). As of the end of 2016, the UK had distributed £362 M in unclaimed balances to good causes (Commission on Dormant Assets. *Tackling dormant assets. Recommendations to benefit investors and society*. 2017. Retrieved from https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/596228/Tackling_dormant_assets_-_recommendations_to_benefit_investors_and_society_1.pdf)