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Chair: Mr. Joël Lightbound



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• (0815)

[Translation]

The Chair (Mr. Joël Lightbound (Louis-Hébert, Lib.)): I call this meeting to order.

Happy Thursday, everyone.

Welcome to meeting number 152 of the House of Commons Standing Committee on Industry and Technology.

Before we begin, I would like to ask everyone to read the guidelines on the little card in front of them about how to use the microphones and earpieces properly. This is to protect everyone's health and safety, especially the health and safety of our interpreters, to whom we are so very grateful.

[English]

Pursuant to the motion adopted on Thursday, September 19, 2024, and the order of the House referring back the twentieth report of the committee entitled "Potential anti-competitive behaviour in Canada's e-Transfer ecosystem", the committee is resuming its study on credit card practices and regulations in Canada.

We're pleased to have with us today, from Stripe Inc., Patrick Collison, chief executive officer and co-founder.

Mr. Collison, thanks for joining us today. Without further ado, I yield the floor to you for about five minutes.

Mr. Patrick Collison (Chief Executive Officer and Co-Founder, Stripe, Inc.): Thank you very much for having me.

Good morning, everyone, and thank you for the opportunity to speak before the committee today.

My co-founder and brother John and I are originally from Dublin in Ireland. When we founded our first company almost 20 years ago, we found that accepting payments online was clunky, tedious and required enormous amounts of arcane knowledge. That's why we started Stripe, to make it easier to adopt online payments and to simplify the process for both software developers and for small businesses.

Stripe has operated in Canada for more than a decade. We just opened a new office in Toronto, and we have almost 350 employees across Canada. We compete energetically to help Canadian businesses grow, export and manage their revenue. Stripe powers Canada's start-ups and small businesses as well as some of the largest enterprises, and we're proud of our ability to support Canadian companies that have grown their payment volume on Stripe by more than 50% over the last two years.

Now, competition in payments is a good thing, and we believe that we need more of it. Strong competition pushes all of us to innovate and benefits businesses and consumers. I believe that there are key interconnected policy areas where this committee can help increase competition further, including payment alternatives and open banking policies.

Canadian businesses will grow if they can offer their customers the payment methods of their choice, and competitive alternatives in the marketplace will foster innovation and better access. There are now hundreds of payment methods around the world with more, it seems, popping up almost every day, and many of them are based on credit and debit cards, but there is a growing set of alternative payment methods such as Pix in Brazil or UPI in India that are affordable, convenient and growing very quickly.

These are bank-to-bank payment systems, and they're often built on a real-time payment infrastructure with a technology overlay that better connects businesses and consumers. Typically this overlay is most successful when it is more open to innovators, and it's often policy-makers who play a leading role in fostering these ecosystems. We're optimistic and hopeful about Canada's real-time rail system. To fully realize its benefits, we believe that policy-makers should ensure broad access to this infrastructure to deliver the rail to the market as soon as possible.

We're supportive of the government's efforts to promote open banking; however, I will note that the decision to not include payment facilitation in Canada's open banking framework is a missed opportunity to foster new entrants and potentially better payment alternatives.

We've seen, in a number of jurisdictions that have moved more decisively on open banking, including the U.K., Australia and recently the United States, that open banking can help support bank-to-bank payment systems, which in turn increases competition, reduces costs and enables innovation that could benefit all Canadians.

Finally, as policy-makers consider different approaches to lowering the cost of card payments, we think that it's important to preserve the ability for providers to offer flat-rate pricing, which is critical for many businesses, especially small businesses, for two main reasons. The first is scalability. Standardized pricing is part of the reason that modern payment systems are able to serve small businesses in large numbers, because the traditional, negotiated idiosyncratic model left many small businesses underserved. The costs of serving were too high.

The second reason is simplicity and predictability for the business. This is a very complicated space with a lot of different factors that go into payment processing costs, interchange fees and taxes—the whole gamut. At the same time, there's been significant innovation with software that can dramatically improve payments. As a result of optimizations that we've made, for example, businesses using Stripe's latest checkout suite saw an average revenue increase of 11.9%.

These services go far beyond basic card processing, and they're included in our simple standard pricing, which has remained unchanged in Canada for eight years, even as underlying costs have evolved and as the functionality that we offer has grown.

Canadian businesses have well over 50 different payment options to choose from, running the full continuum on pricing and functionality. We will endeavour to continue to compete vigorously to ensure that the market has the greatest possible choice.

We believe in Canadian entrepreneurialism, and we're committed to helping grow the Canadian economy. We exist to serve the needs of Canadian businesses here and to help them operate around the world. Our success is inextricably linked to theirs.

• (0820)

With that, I welcome your questions.

Thank you.

The Chair: Thank you very much.

To start the discussion, I'll turn it over to MP Rempel Garner.

Hon. Michelle Rempel Garner (Calgary Nose Hill, CPC): Thank you, Chair.

This year Visa and Mastercard reduced their interchange fees for Canadian small businesses. How much revenue has Stripe collected by not passing these savings from reduced interchange fees to Canadian small businesses?

Mr. Patrick Collison: I want to clarify part of the question there. Stripe has two pricing models. We have a model where you can pay for payment costs in isolation, and then you can [*Technical difficulty—Editor*]—

Hon. Michelle Rempel Garner: Mr. Chair, I can't hear him.

The Chair: Mr. Collison, I'm sorry. There is an issue with your sound. Perhaps the microphone was disconnected.

Mr. Patrick Collison: Is this working better?

The Chair: Okay. It's working now.

You can resume.

Mr. Patrick Collison: Okay.

Just to clarify the question [*Technical difficulty—Editor*]—

The Chair: Again, it seems like we are losing the sound. I don't know if it's the connection.

Mr. Patrick Collison: Is this better?

The Chair: That is better.

Mr. Patrick Collison: Okay. I'm sorry about the trouble.

I just want to clarify something in the question. Stripe has two pricing models. One is a model where you can pay directly for payments and then separately for our software services. Then we have a model where you can pay as a package for all of our software products and payments together.

If you pay for payments directly from Stripe, we pass—

Mr. Brian Masse (Windsor West, NDP): I have a point of order, Mr. Chair.

The Chair: My apologies, Mr. Collison.

Go ahead, Mr. Masse.

• (0825)

Mr. Brian Masse: That's not correct. He's using the general speaker now. I'm worried about our interpreters.

The Chair: They haven't flagged anything, Mr. Masse. The sound seems to be okay.

I'm looking at the clerk on that.

It looks like we're okay, based on the appraisal by the interpreters.

Thank you, Mr. Masse.

Hon. Michelle Rempel Garner: Thank you.

Chair, is it now back to my round?

The Chair: It is back to your round. It was Mr. Collison, but it's your time.

Hon. Michelle Rempel Garner: Thank you.

I think it's clear that Mr. Collison won't answer my question on that.

I won't ask if you're tracking the revenue. I'll just go right into remedies. Has the Canadian federal government instructed you to track this revenue or to pass these savings along to small businesses?

Mr. Patrick Collison: I'm not aware of any such instructions.

Hon. Michelle Rempel Garner: Just to be clear, you have not.

Mr. Patrick Collison: No.

Hon. Michelle Rempel Garner: Okay.

Has the Canadian—

The Chair: Ms. Rempel Garner, I'm sorry to interrupt again. The interpreters say that the headset needs to be selected differently.

Madam Clerk, I don't know if you want to intervene, or if IT can reach out.

To your point, Mr. Masse, it appears that the proper headset needs to be selected.

Mr. Patrick Collison: My apologies for the trouble. We tested all of this yesterday. It seemed to be working then.

The Chair: It doesn't seem to be working now.

I'll suspend for a few minutes.

IT will reach out to you, Mr. Collison.

• (0825) _____ (Pause) _____

• (0830)

The Chair: I call the meeting back, colleagues.

Everything seems to be working. We'll start anew.

Ms. Rempel Garner, the floor is yours for six minutes.

Hon. Michelle Rempel Garner: Thank you, Chair.

Mr. Collison, I'll pick up where I left off.

Just to clarify, the Canadian federal government has not contacted you or your company to instruct you to pass along the savings on interchange fees offered from Visa and Mastercard to small businesses. They have not contacted you to pass those savings along to Canadian small businesses. Is that correct?

Mr. Patrick Collison: I'll just clarify. In our view, we have passed the savings along.

Has the federal government contacted us on this matter? Not to my knowledge.

Hon. Michelle Rempel Garner: Earlier this week at committee, Canada's current finance minister said that she would intervene if your company did not pass these savings along. There's a story in Canada's Globe and Mail this morning that one of your board members, Mark Carney, has been in talks with Canada's Prime Minister to join the cabinet in the position of finance minister.

Has he informed you or Stripe's board of these talks?

Mr. Patrick Collison: I have not discussed anything pertaining to these matters with him, nor, I believe, has anyone on the board, so no.

Hon. Michelle Rempel Garner: Do you think it's problematic that you are facing questioning by a Canadian parliamentary committee on the failure of your company to pass along savings from interchange fees to Canadian small businesses and the current finance minister has said that she would intervene? They have not contacted you yet, and then, this morning, there's a story in the Globe and Mail that one of your board members is in talks with the Prime Minister to become the finance minister.

Mr. Patrick Collison: It seems very proper to me that these are completely separate issues and kept very distinct.

Hon. Michelle Rempel Garner: This year, Mr. Carney accepted a senior economic advisory role with the Liberal Party. Did your company put in place any guardrails or screens to prevent Mr. Carney from perhaps seeing or having input on any Canadian public policy decisions after that point?

Mr. Patrick Collison: We have not discussed any Canadian public policy decisions at the board level.

Hon. Michelle Rempel Garner: I asked you if you put any screens in place, because I just have to take your word for it that happened, as a public policy-maker. He also sent out a highly partisan fundraising email for the Liberal Party. Did you put in place any screens given his economic advisory role?

Mr. Patrick Collison: We do standard conflict policy at the board, like most companies, and conflicts have to be disclosed to our general counsel, but I'd say that as a general matter board members tend to have political views, and lots of board members at different companies are politically active in some form, so this doesn't seem out of the ordinary to us.

Hon. Michelle Rempel Garner: Is it not out of the ordinary for one of your board members to be in talks to become Canada's next finance minister after the current finance minister said at a committee earlier this week that she would be intervening due to your company not passing along savings from interchange fees to small businesses? You don't think there's any potential conflict that Mr. Carney would now require a screen for? That sounds a little problematic.

Mr. Patrick Collison: Well, as I said, he's not been involved in these discussions.

Hon. Michelle Rempel Garner: Again, what assurances do we have to take your word for that? You said that he has to disclose any potential conflicts to your counsel. Has he disclosed any potential conflicts to you, like, say, being the senior economic adviser to the Prime Minister of a country in which you are operating to a significant degree?

Mr. Patrick Collison: I have not been privy to those discussions. I can't speak to what disclosures he's made.

Hon. Michelle Rempel Garner: You don't know whether or not one of your senior board members, whom your company touted as a major boon to your board, has disclosed any conflicts of interest given that he now has a senior economic advisory role with the federal Liberal Party, and now there's a conflict between the current finance minister and a story in The Globe and Mail that he's about to become the finance minister, and you're not sure if he has disclosed any conflicts to your counsel.

Mr. Patrick Collison: I'm just not privy to those discussions and, as I said, issues pertaining to Canadian public policy just have not, at any point, been topics of board discussion.

Hon. Michelle Rempel Garner: Do you think that maybe you should be?

Mr. Patrick Collison: I should be which...?

Hon. Michelle Rempel Garner: Do you think that maybe you should be privy, given that you're sitting in front of a Canadian parliamentary committee after members of this committee have heard from small businesses across this country of their extreme displeasure that your company has elected not to pass along savings on interchange fees to them, and now one of your board members is embroiled in a potential conflict of interest?

Do you think that maybe you should call your counsel after this meeting and say, "Hey, maybe we should put a screen around this guy to make sure there's no conflict of interest"? Do you at least acknowledge that the optics are problematic?

• (0835)

Mr. Patrick Collison: Well, under the Lobbying Act, my understanding is that conflicts are the responsibility of the board member. We trust that Mark Carney has taken all of the right steps.

Hon. Michelle Rempel Garner: I'll give you just one more chance, because I've been around a hot minute, and I know when things tend to blow up. I have a feeling that this is going to become problematic for you.

Do you have any personal reservations about not knowing whether or not one of your board members is in talks to become the finance minister of Canada after the current finance minister of Canada said at a committee meeting this week that she would intervene on your not passing along savings on interchange fees to Canadian small businesses? Do you not assess that as some sort of corporate reputational risk in the slightest?

Mr. Patrick Collison: I think that maybe the difference in perspective and the disconnect here might come from the fact that the amounts of money that we're discussing are extremely small. We're talking—

Hon. Michelle Rempel Garner: What is "small" to you, Mr. Collison? Because I don't think it's going to be small to a Canadian small business.... What would be "small"?

Mr. Patrick Collison: We're talking....

I think this might be helpful context for all the questions.

Hon. Michelle Rempel Garner: What's "small"?

Mr. Patrick Collison: Two things have changed in Canada over the past year. One, because of the tax increase, costs for businesses have gone up by about \$17—

Hon. Michelle Rempel Garner: You're allowing small businesses to offset your tax burden. I understand that. That was savings defined for them. We understand that. But you're saying it's small. What is "small", for you, to a small business?

The Chair: MP Rempel Garner, I'm sorry. The time is up. I'll let the witness answer, and then we'll turn it over to MP Van Bynen.

Mr. Collison, the floor is yours.

Mr. Patrick Collison: Very briefly, the respective amounts in question are these. There's been a tax increase, because of the new tax on payment processing costs, of about \$17 on average for a small business per year. That's \$17 a year. Then the interchange agreement with the card networks results in a saving of about \$10 per business per year.

The net increase is about \$7, but the amounts in question are \$17 and \$10 per business annually.

The Chair: MP Van Bynen, the floor is yours for six minutes.

Mr. Tony Van Bynen (Newmarket—Aurora, Lib.): Thank you, Mr. Chair.

I appreciate the opportunity to clarify the conversation and to maybe ensure that the record is correct.

I'm confused, because you said earlier that Stripe has not been in discussions with the Department of Finance. Is that correct? Did I understand that correctly?

Mr. Patrick Collison: No. All I said was that I'm not aware of any orders from the finance department.

Mr. Tony Van Bynen: It was my understanding, based on testimony at this committee earlier, that there was a direction for you to pass those savings on.

Mr. Patrick Collison: I guess maybe it's a question of levels of mandate. Obviously, we would comply with all legal orders. We have not, to my knowledge, received any such order.

Mr. Tony Van Bynen: To clarify, then, it is possible that a conversation took place but that you weren't engaged in them directly.

Mr. Patrick Collison: I can't speak to all of the conversations that have happened between our policy team and the government. Like I said, we have not received any such order.

Mr. Tony Van Bynen: There is a concern about the savings being directed by the department not being passed on. Businesses and non-profits would benefit from this agreement to have the annual credit card with.... Institutions who have credit card sales below \$300,000 would substantially benefit, as mentioned earlier.

Do you have any rationale as to why these savings should not be passed on to small businesses?

Mr. Patrick Collison: Well, for businesses that pay us for payments, all the savings have been passed on. That's actually the significant majority of our transaction volume.

The issue we're discussing here is whether, if you elect to pay Stripe in a blended fashion for our software products together, we should change our standard pricing that has been unchanged in the face of inflation and all the rest for eight years. This is kind of our Costco hot dog. We really try to keep the price the same, even as the functionality and the products and services we offer improve. We haven't changed that blended pricing for eight years. I hope we can keep increasing the value while still charging the same amount for many years to come.

Mr. Tony Van Bynen: Do you know that under the revised credit card code of conduct, small business owners also have more rights? They must be notified in advance if a processor is not passing on the savings from the fees reduction, and they can now switch to a different processor without penalty. Given the number of competitors in the payment processing space, do you not think this recent decision by Stripe leaves an opening for your SME customers to look elsewhere—to your competitors?

● (0840)

Mr. Patrick Collison: You're right; it's a really complicated and competitive space. Only by offering the best products and services will we succeed in Canada. I'm very proud—I actually checked these numbers yesterday—that more than 500 businesses in Canada elected to switch their business to Stripe just last week.

But you're right; it's a precarious position. It's only by innovating as effectively as we can that Stripe will succeed in the market.

Mr. Tony Van Bynen: Several of your competitors, such as Moneris and Square, have committed to passing on the savings to small businesses. Can you explain why they're able to pass those savings on and why Stripe is not?

Mr. Patrick Collison: Again, Stripe has passed the savings on for the businesses that pay us for payments directly. This actually gets to, I think, your question. The traditional payments companies have sort of a different model than Stripe. They don't build all the software services that we do. We spend billions of dollars a year building all these additional software products that are not just for payments. They help you with additional things, such as identity verification, fraud prevention and a very long list of other services.

Because they do only the payments part, they, like us, for businesses that are just paying for payments, pass everything straight through, so Stripe has innovated by building these additional products and services that traditional players haven't.

Mr. Tony Van Bynen: You use a tiered system, right? Those who pay premium pricing get to realize the savings. It would be helpful to know what percentage of the clientele pays the premium and what percentage does not. What is your pricing mix?

Mr. Patrick Collison: I want to talk about the question. When you say “pays the premium”....

Mr. Tony Van Bynen: You're saying that you're passing the savings on to one group of clients, who are paying in a certain price range, and not on to the others. I'd like to have an understanding of the mix of your client base to understand the percentage of benefit that each client group gets.

Mr. Patrick Collison: The significant majority of our transaction volume in Canada is covered by businesses that elect to pay for the payments portion as a consequence of seeing the tax increase on payment processing costs. However, they've also seen this benefit that we're discussing here from the SMB agreement. If I'm understanding your question correctly, I'll answer that most of our transaction volume is covered by those businesses that have received that benefit.

Mr. Tony Van Bynen: You've passed your savings on to some of your customers, but not to all. I still don't have a good understanding of what that mixed base is. Are the majority of your customers getting the benefit of those savings that are being passed on?

Mr. Patrick Collison: In terms of the mix of our different pricing models, I actually don't have the figure at hand on a per-business basis. The majority of our transaction volume is covered by businesses that pay for the payments portion separately and then pay for our software products on a different basis.

Mr. Tony Van Bynen: Moneris and Square have passed all their savings to all of their customers. Why hasn't that happened with Stripe?

Mr. Patrick Collison: As I was trying to describe, Moneris, for example.... However, I don't mean to single them out, so let's just talk about the traditional payment incumbents. They don't build these software products, so they don't have the same challenge of trying to figure out how to build their software products and the payment functionality together. They have a different business model, which I'm sure works for them. We're trying to provide simplicity and predictability, where businesses can together purchase as a bundle....

Again, I want to emphasize this point. With regard to the absolute dollars involved, we're talking about.... I don't know if you're familiar with the term “basis point”; a basis point is a hundredth of a per cent. The amounts in question are about two basis points or thereabouts.

Whatever we do would be a minuscule change.

● (0845)

Mr. Tony Van Bynen: If we go back to the point from my colleague, it may seem minuscule to you, but my understanding is that this agreement will reduce interchange fees by up to 27% and is expected to save small businesses around \$1 billion over five years. It's not chump change, sir.

Mr. Patrick Collison: Unfortunately, because of the carve-outs, the limitations and all of the restrictions on it, I'm here to say that, at least for the Stripe portfolio of businesses, it is quite small. On average, for one of these businesses, they've seen a \$17 increase from the tax change. Again, \$10 per year is what we're talking about here.

Mr. Tony Van Bynen: If it's so minuscule, why aren't you passing those savings on to small businesses?

Mr. Patrick Collison: As we have covered, for businesses that pay for the payments directly, it all gets passed through, vanilla. Then we really want to maintain the simplicity and the predictability of our blended-pricing model. We think it's much better for the market for this model to exist. Stripe is one of the pioneers in developing it.

For eight years—I'm very proud of this—we've managed to avoid increasing the cost. This might sound like an arcane point, but it's actually getting slightly cheaper over time because we charge 2.9% plus 30¢ for it. Because of inflation, 30¢ is becoming less valuable over time. It's getting slowly cheaper as inflation erodes it away. Even as we spend these billions of dollars developing new software products, we don't want to increase the cost.

Mr. Tony Van Bynen: Thank you.

Those are my questions, Mr. Chair.

The Chair: Thank you, MP Van Bynen.

[*Translation*]

Mr. Savard-Tremblay, you have the floor for six minutes.

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Thank you, Mr. Chair.

Good afternoon, Mr. Collison. Thank you for your testimony.

I'll be asking questions along the same lines as in the previous exchange.

For starters, how many small businesses have benefited from the redistribution of the lower interchange fees—those that are eligible, that is?

[*English*]

Mr. Patrick Collison: I don't have the business counts at hand.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Do you have an approximate number for us, though?

Do you have a sense of the volume we're talking about?

We're assuming it's not going to be a specific number. We won't hold that against you.

[*English*]

Mr. Patrick Collison: As I said, the majority of our transaction volume in Canada is from businesses that pay for payments separately on this. It's what we call an “interchange-based model”.

I'd be worried about getting it too wrong if I tried to estimate what fraction of businesses that is.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Are you able to give us—

[*English*]

Mr. Patrick Collison: I can say that we support 900,000 businesses in Canada. That's the total.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: So your clientele is made up of 900,000 businesses. That's great.

What kind of companies are they? I'd like to get a rough idea of what kind of businesses they are. Of course, I'm still talking about businesses that are eligible.

[*English*]

Mr. Patrick Collison: They cover every sector of the economy. Stripe is a very flexible platform. Since we launched in Canada just over 10 years ago, businesses have migrated because they get more functionality from Stripe than they did from the traditional providers.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Can you tell me more specifically about the small grocery and convenience store sector? I imagine you have quite a few of them as clients.

[*English*]

Mr. Patrick Collison: Groceries aren't traditionally where we've seen the most adoption.

Stripe was first designed for online businesses, and that's maybe where we're strongest. However, you're right that we make Stripe available to businesses in every sector. I don't know how many, for example, grocery businesses we have, but I'm sure there are some.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Given the rules on volume and eligibility, I imagine that some small businesses and convenience stores are among those that could benefit from a lower interchange rate. Is that correct?

• (0850)

[*English*]

Mr. Patrick Collison: Yes, as I mentioned, on average—across our small-business portfolio—the tax increase is about \$17 per business, and the interchange agreement you're describing results in a saving of about \$10 per business per year.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Would you say that so few small grocery or convenience stores have benefited from a lower interchange rate, not because you haven't passed it on to them, but because very few of your clients satisfy the conditions agreed to by the government?

[*English*]

Mr. Patrick Collison: If I'm following the question, yes, I think it is potentially true that, because of the design of the agreement, Stripe's customers are less impacted by it than some other providers are.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Okay.

How are you involved in developing new payment and e-transfer options?

[*English*]

Mr. Patrick Collison: We think it's a very exciting time. We're seeing the development and adoption of new payment systems around the world in places like Switzerland, Sweden, India, Brazil, Thailand, etc., where central banks are building these real-time, bank-based wallets that are instant and close to free, creating much more competition in the marketplace and creating enormous consumer benefit.

We're generally seeing a lot of adoption. Stripe is very enthusiastic about this. We would love to see more competition in the marketplace thanks to these systems, and we really support any Canadian efforts to bring that about.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: When your colleague testified here, he talked about various methods that were being developed, including payment by the bank. So you're saying that there are quite a few of them now.

Can you explain what that concept is and what it consists of?

[English]

Mr. Patrick Collison: Yes, absolutely. We really want to be able to offer lower costs to our businesses. We've asked businesses what matters to them. This is obviously high on the list.

Again, the amounts we are discussing in this hearing are very small. As I mentioned, we're talking \$10 to \$17 per business a year. We wonder about the ways we can reduce costs by thousands of dollars a year to make a meaningful structural change. One way we see we can do that is by offering the ability to get off card rails entirely and to switch to bank-based payment rails.

We have been working on this for the past five or so years, and we rolled out a product called "instant bank payments" in the U.S. last year. I think this is going to be much cheaper over time, structurally. It's an early product. It's U.S.-only at the moment.

We're iterating and learning, but I hope we'll be able to bring this to Canada and to other markets in the years ahead and to offer very meaningful cost savings to businesses.

[Translation]

The Chair: Thank you very much.

Thank you, Mr. Savard-Tremblay.

Mr. Masse, you have the floor for six minutes.

[English]

Mr. Brian Masse: Thank you, Mr. Chair.

Thank you, Mr. Collison, for being here.

I just want to clarify something. Where are you broadcasting from right now for your testimony?

Mr. Patrick Collison: I'm in California.

Mr. Brian Masse: Okay. The reason I asked about that is your connections to Ireland, which is a tax haven. It's in the top 10 now. Why does Stripe have a head office and organization in Ireland?

I know you've referred to yourself in the past as "Isaac" as a nickname.

Explain to Canadians why a so-called Canadian business is headquartered in Ireland, which is a tax haven.

Mr. Patrick Collison: Isaac was an artificial intelligence system I developed when I was a teenager, but Stripe is in Ireland for two reasons.

The first reason is that John and I grew up and went to school there. We feel a lot of affinity for Ireland, and we wanted to build a business with one of its two dual headquarters in the country.

The second reason is that most of our customers are based outside of the U.S. A lot of them are in Europe, the Middle East and

Africa, etc., and we need to have people there in order to support those businesses.

When you look at it and take stock of the European Union, where most of those customers are, Ireland is now the only English-speaking country in the EU. Given the fact that Stripe is an English-speaking company, it's the most logical option in Europe.

• (0855)

Mr. Brian Masse: What's the tax difference that you have as a so-called Canadian company that's headquartered out of Ireland? What's the tax differentiation for Canadians?

Mr. Patrick Collison: I'm not a tax expert and I probably shouldn't opine too extemporaneously, but I don't think we derive any Canadian benefits from having our dual headquarters in Ireland.

Mr. Brian Masse: Okay. I'll follow up on that myself.

I'm trying to understand the value for Canadians. Explain how Stripe really makes businesses more competitive versus just charging a fee.

What I've been asking for in these hearings and so forth is that we see some of these interchange fees more or less as being a parasite on the economy, because you're talking about technology that you developed with Elon Musk and the investment from PayPal back in 2005 to today. Explain the innovation that's taken place and how you're saving Canadians and Canadian businesses money versus just sponging off them in the transfer of money versus accounts.

I'm really having a hard time understanding how you've invested so much money and the value that we're getting for Canadian businesses.

Thank you.

Mr. Patrick Collison: Absolutely. Stripe's mission, as we describe it publicly, is to increase the GDP of the Internet. Maybe that's a bit arcane, but that's the core idea we're trying to get across as we want to help businesses increase their revenue.

Because Stripe was first designed for online businesses, we think a lot about that particular context, and the simplest and most powerful thing we do to help online businesses increase their revenue is help them accept more payment methods from around the world.

Most people who pay online in Sweden, for example, use a payment method called Swish. It's not an easy thing for a Canadian small business to go and call up the Swish people and figure out how to integrate it, and so on. Presumably, if you're running an on-line business selling to customers around the world, you want to support customers in as many markets as possible, so Stripe makes it really easy with just a couple of lines of code, a bit of work in an afternoon, to accept customers and accept payments from a global customer base in all of the different currencies and payment methods.

Obviously, we—

Mr. Brian Masse: Thank you. I'm sorry. I'm just running out of time.

That's a very good explanation. However, what is the real cost of that transaction? It sounds like old technology to me. How is that actually, in today's terms, paying dividends?

Mr. Patrick Collison: Look, customers vote with their feet, and we don't get to force anyone to adopt the Stripe platform. They take stock of the 50-plus providers in the market and decide whether Stripe makes sense for their business or not.

I will say this: The vast majority of Stripe's revenue goes straight back out the door. We are paying, on behalf of the businesses, all of these other payment systems for the cost of those transactions.

Mr. Brian Masse: Okay. You're paying other payment systems, in terms of processing.

Mr. Patrick Collison: That's correct. The idea is that you pay Stripe a simple flat fee if you're a small business. Then we go and pay all of the other payment schemes on your behalf.

Mr. Brian Masse: That's very helpful.

Can you table with us the cost of those fees?

Here's what I'm trying to get at in terms of the economy and productivity, at least for me: What's the value of transitioning money from the person who is actually purchasing something with the payment to somebody else? It seems to me that we have, in-between, a lot of different factors that are skimming profits and, quite frankly, being parasites on the economy and productivity.

I represent workers who have to get up every single day and are often charged with not being productive enough in what they have to do. At the same time, we have financial transaction processes that don't really seem to be offering a lot of value, but are costing a lot percentage-wise, and they don't have the same accountability.

Mr. Patrick Collison: Look, I totally understand your curiosity and maybe even skepticism here, because it's a weird and messy ecosystem.

I'll make two very brief points, since I know we're limited.

One, I think it is interesting to look at mechanisms to reduce interchange costs and the things different countries have done. What I think has to be factored in as one analyzes this is the main thing those costs do. Those funds don't go to payment processors like Stripe. They mainly go to subsidize consumer credit issuance. To your point about the people you represent, a lot of this makes it easy for them to borrow on simple terms. They don't have to go and

get a dedicated loan from the bank or something. I mean, they get credit cards. In Europe, where I'm from, interchange is regulated. However, generally speaking, consumer credit tends to be less abundantly provided. I think there's a kind of balance to be struck there.

The second thing is this: I don't want to harp on this too much, but I really think there's an opportunity here to do something around a real-time payment scheme that's instant and close to free. Then we can let the market adjudicate. If payments are too expensive in the card-based world, well, let's introduce a competitor and see what happens. I think introducing competition there would be very helpful.

● (0900)

The Chair: Thank you, Mr. Masse.

Thanks, Mr. Collison. I realize you're joining us from California. Thanks for making the time so early in the morning. We appreciate that.

Mr. Perkins, the floor is yours for five minutes.

Mr. Patrick Collison: The questions are very helpful to wake one up.

Some hon. members: Oh, oh!

Mr. Rick Perkins (South Shore—St. Margarets, CPC): Coffee is, too.

Thank you, Mr. Chair.

Thank you, Mr. Collison. It is an impressive business you've built in 14 years.

I'm curious: As the co-founder and CEO of Stripe, you must have been involved in the recruitment of Mark Carney to your board.

Mr. Patrick Collison: I was.

Mr. Rick Perkins: You were aware, obviously, of his close connections to the current Prime Minister and government when you recruited him.

Mr. Patrick Collison: I was not. I actually wasn't sure who the Canadian prime minister was at the time. I first got to know Mark when he was the governor of the Bank of England and living in the U.K. At the time, I thought of him as a British official. Our first discussions were in that context.

Mr. Rick Perkins: Well, he's in all the newspapers here. If you missed it, at the beginning of the summer, there were stories from senior officials and the Prime Minister's Office about how disappointed they were with the current finance minister, Minister Freeland, and how she's a terrible communicator. They weren't getting their message out, so they were trying to actively recruit Mark Carney to run in a by-election and get into cabinet. You must have been aware of that. Then, over the summer, when they were unsuccessful, the Liberals made him a special adviser to the party and really inserted him, essentially, as a de facto finance minister above Minister Freeland.

Well, he still serves on your board. Yet, in the fall, Minister Freeland made this great to-do about massively reducing the merchant fees for small businesses in Canada with this thing you are calling minuscule and \$10. During all of that discussion and the lead-up to that announcement, the current finance minister—not the next finance minister—claims they had discussions.

Did Stripe have discussions directly with Finance officials in the lead-up to that announcement? Was the future finance minister Mark Carney involved in those discussions?

Mr. Patrick Collison: I don't know of all the discussions that may have happened between different officials at the finance department and Stripe and any consultations that might have occurred, but I can say that Mark Carney was not involved.

Mr. Rick Perkins: On the determination of your company to defy the government's requests to pass on these savings, which your competitors have complied with—and which is obviously an embarrassment to the current finance minister that she can't get you to comply with it—you said it's *de minimis*, that it doesn't amount to much.

In fact, in your press release, you said it's because of the goods and services tax changes, but really, you only had a one-year holiday on the goods and services tax, and you earlier said that a basis point is a minor amount of money. Your press release says that this is an impact of 0.036% and, therefore, you couldn't pass it along. It seems, in your own words, to be “minuscule”. Despite the fact your business in Canada has improved by 50% in two years, as you claimed in your opening statement, you can't afford to pass on a minuscule change and will defy this Liberal Minister of Finance when you have the next minister of finance on your board.

• (0905)

Mr. Patrick Collison: Is there a question?

Mr. Rick Perkins: Is it *de minimis* or not? You said it was *de minimis*, but it's clearly significant to you, because you've said that you're not going to pass it along.

Mr. Patrick Collison: [*Inaudible—Editor*]

Mr. Rick Perkins: If it were irrelevant, you'd pass it along. You'd say, okay, I can pass on that \$10 or that \$7. It must be significant to you.

Mr. Patrick Collison: The businesses that pay us for payments as a kind of a dedicated payments product, as we've been discussing...we pass all that along. I think the issue at hand is really whether businesses like Stripe—

Mr. Rick Perkins: Your press release says that you're not passing it along. Is your press release wrong?

Mr. Patrick Collison: I think the press release is referring to what I was about to get to next.

I think the issue at hand is whether businesses like Stripe should be able to have a simple, single, stable price that's predictable for businesses and that doesn't change through time and—

Mr. Rick Perkins: Yes. It's predictable. You can make something predictable by making it an excessively high flat rate. That's predictable, but you're the only player that....

Are you that inefficient? Mark Carney sits on the board of a company that is less efficient than your competitors in that you can't find a way to pass on this minuscule thing? Are you really that poor in your technology relative to your competitors, who can do this? Or is it that Mark Carney is trying to undercut the current finance minister?

Mr. Patrick Collison: Mark Carney has not been involved in any of these discussions.

Mr. Rick Perkins: When your company decided to defy the Canadian government, your board of directors never had a discussion? You've never had a discussion about defying the Canadian government on this initiative?

Mr. Patrick Collison: Our Canadian pricing has never been discussed at the board level. Our revenue in Canada is less than 10% of Stripe's global revenue, and the issues we're discussing here are—

Mr. Rick Perkins: It shouldn't cost you much to pass it along, so why would you defy the request of the current finance minister? Wouldn't you be expected to say with the perceived conflict of interest—not just the real ones, but the perceived one—that your board member has in being the inserted finance minister between the Prime Minister and the current finance minister, “You know what? Maybe we should be careful since the Canadian part of our business is small and this is a minuscule amount of that business and we should comply.”

Or is it that you're just too greedy to screw Canadian small businesses that you'll take every dollar out of them? As you are an American-based company, you don't really care about the Canadian market, and neither does your board member. You would have thought your board member, Mark Carney, would have said: “Hey, guys, this does matter. You shouldn't do this reputational harm to the company.” Is he that detached as a board member that he doesn't actually care about what's going on in his own country?

Mr. Patrick Collison: I actually have the opposite point of view where, rather than making any of these pricing decisions on the basis of political exigencies or perceived allegiances or anything like that, we try to ignore the politics and just do what we think is best—

Mr. Rick Perkins: You put Mark Carney on your board. You ignored the politics? Come on.

I've sat on boards. It's unbelievable that you would make a decision against a Canadian government order with a future finance minister and the personal adviser to the Prime Minister of Canada on economic policy...that you would make a decision to defy that government with the senior economic adviser to the Prime Minister on the board. It's just not believable.

Either that is misleading or the current board member really is so indifferent—maybe he is indifferent, since he's moving Brookfield to New York to avoid Canadian taxes—to the Canadian market that he doesn't even stick his nose into that. At least he could read the newspapers and would have probably seen this issue that he, carbon tax Carney, has caused for himself and you.

Why is it that a board member that you think is effective doesn't even have the sense to say at board meetings or directly to the CEO, “Why are you defying the Canadian government?” I can't imagine how irresponsible that is for a board member.

The Chair: Mr. Perkins, you're way over time.

I'll let the witness answer, but I'll just remind you, as I've done in the past, that this is not the floor of the House of Commons where you get rewarded for using gimmicks and calling people “carbon tax Carney”. I appreciate more decorum here.

I'll leave it at that, Mr. Perkins.

Mr. Collison, the floor is yours.

● (0910)

Mr. Patrick Collison: I can't speak for Mark and his actions.

I will very briefly say, on the small business point, that the revenue we make from businesses in Canada on a per-business basis has declined over the past year. Any of these small-business interchange changes are more than outweighed by the tax increase, so we decided we would just accept that. We think it's better for businesses. Even though our margins have gone down slightly, we believe in offering a stable, predictable price. That hasn't changed, even though it's actually slightly less profitable for us than it was a year ago.

The Chair: Thank you.

Mr. Badawey, the floor is yours.

Mr. Vance Badawey (Niagara Centre, Lib.): Thank you.

Mr. Chairman, to be clear, I'm not going to resort to parliamentary theatrics. I am going to stick to the business at hand.

That business is our expectation that payment processors, which include Stripe, are disciplined and pass savings on to the businesses. As you may know, the federal government is closely monitoring the implementation of credit card fees and the reduction of those fees, with the strong expectation that all payment processors like Stripe will pass those savings on to small businesses, period.

If you hadn't heard that, you just did. I'm sure you will take this with a great deal of respect and discipline, and do what the government expects you to.

I may be repetitive in some of the questions I have, but the analysts are taking this information down and, in turn, providing the

committee with a report, establishing recommendations for the department and the minister. I may be repetitive to try to solidify a lot of those statements.

You stated publicly that Stripe would pass all network costs and fees, including the recent reduction in interchange fees, through to eligible businesses on your interchange plus pricing.

I would like you to elaborate. Do you have different pricing schemes for businesses, therefore creating different tiers in your treatment of businesses? This is something Mr. Van Bynen was trying to drill down on earlier. I want to drill down on it a bit more, in order to be very clear on that.

Mr. Patrick Collison: Yes, we have different pricing models for different categories of business.

Mr. Vance Badawey: With that, what percentage of your revenue comes from your standard pricing, and what percentage comes from the interchange plus pricing model?

Mr. Patrick Collison: I don't have those percentages at hand, but the majority of our transactions are covered by this interchange-based pricing model.

Mr. Vance Badawey: Could you provide that to the committee in writing at a later date so we can include it with the testimony you're providing to the analysts? That would be much appreciated.

To the same question, what is covered under your standard pricing, and what benefits exist within the interchange plus pricing model?

Mr. Patrick Collison: It's fairly complicated, because Stripe has so many different products and services. Directionally, I would say that we have a lot of payment-related functionality that gets included by default in the standard blended pricing. That functionality is increasing over time.

I'll give you one tiny example. We have a feature called adaptive acceptance, where we use machine learning to try to increase the authorization rates of transactions to help businesses grow their revenue. If you're paying the 2.9% plus 30¢, it's included for free. If you use our interchange-based pricing, you pay separately for that and a lot of other functionality. Then, on top of that, we have pure, software-based products. For example, Stripe Radar is a fraud-prevention tool kit. It's not part of the transaction itself. It's a separate tool for managing fraud. Again, that's included for free with the sticker pricing, but you pay for it separately if you're using our interchange-based model.

In each case, there are many different products.

Mr. Vance Badawey: As you may know, Interac just announced that it's moving away from volume-based pricing towards a flat fee for its customers. This decision was a year in the making.

Are you currently reviewing your pricing models, as we were just discussing, to ensure the most optimal pricing options for your customers?

Mr. Patrick Collison: We're always reviewing them to try to make sure we're competitive in the marketplace.

I will say that I think Stripe has differentiated itself and achieved the most success primarily at the lower end of the market, where we've seen the strongest traction because, traditionally, those businesses have been underserved. I mean, the whole motivation for it....

I'm sorry. Is the audio working? Can you hear me okay?

● (0915)

Mr. Vance Badawey: Yes. I can hear you okay. Go ahead.

Mr. Patrick Collison: The whole motivation for starting Stripe in the first place was that we perceived a need to serve small businesses more effectively than they had been. This is a really big focus for us.

Mr. Vance Badawey: Great. Thank you.

This is my last question. When your director of public policy appeared at committee, he argued that small businesses would prefer to keep their higher prices because they are “simple and predictable”. Dan Kelly, the president of the Canadian Federation of Independent Business, welcomed the agreement and called it an “important deal for small business”. He also said about your company, “It's extremely disappointing to see a big company take this approach”, and, “This means [SMEs will not] get the full value of the promised savings.”

How can you argue that small businesses would prefer to pay higher prices?

Mr. Patrick Collison: We think our pricing is very competitive relative to our competitors when you take stock of the full bundle of products and services that Stripe provides. For example, when it comes to many of these global payment methods that Stripe provides, nobody else in the Canadian market provides them. You'll generate less revenue if you use an alternative or a competitor to Stripe.

I think that's why more than 500 Canadian businesses switched to Stripe just over the past week. We think the value equation for Stripe is much stronger, especially for a small business, than for any competitor.

Mr. Vance Badawey: Thank you.

Thank you, Mr. Chair.

[Translation]

The Chair: Thank you very much.

Mr. Savard-Tremblay, you have the floor for two and a half minutes.

Mr. Simon-Pierre Savard-Tremblay: Mr. Collison, how dependent are you on networks like Mastercard, Visa and, of course, Interac? We're very interested in that question, because we're wondering if you've had the same problems with the SEPA payment network in Europe.

I'm asking you this so we can compare the networks.

[English]

Mr. Patrick Collison: It's an interesting comparison. I'm not an expert on Interac, so my apologies if anything here is not specific enough.

I would say that SEPA is generally cheaper and has more open access than Interac. I think that enables somewhat more product innovation. We're very excited about bringing our instant bank payments product, the thing we discussed earlier, to SEPA-based payment rails. I think that could really help reduce costs for businesses.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Can you tell us a bit more about the SEPA model? You're saying it's easier to use, more open and cheaper.

The comparison we make is between Visa and Mastercard on the one hand, and Interac on the other. Based on what you're telling us, we would do well to learn from what is happening in Europe.

[English]

Mr. Patrick Collison: I think it's true that a lot of interesting and important payment innovations are happening in Europe. As I mentioned in my opening remarks, the open banking policies in some European markets, like the U.K., include a mandate that businesses enable open access for payment facilitation, which really helps.

SEPA, while it's open access and very cheap, is also a low-level protocol. In particular—again, maybe this is a little bit arcane—it doesn't mandate an authentication flow. That is to say, it's up to the bank in each case: What do you tap on your phone? How exactly is a payment initiated? That's why we think these central bank-based wallets, like TWINT in Switzerland or Swish in Sweden, are so compelling. They're a full package payment solution.

I think Canada pursuing something like that, a full package, instant, and close to free payment solution, would be really compelling.

[Translation]

The Chair: Thank you very much.

Mr. Masse, you have the floor for two and a half minutes.

[English]

Mr. Brian Masse: Thank you.

Mr. Collison, the Conservatives seem to have a conspiracy here with regard to Mark Carney. It is an odd thing; there's no doubt about it. I've been in Parliament for over 22 years, and I think there's some merit to their questions about the relationship.

When did you actually draft Mark Carney into your operations? I actually believe that it was probably a cocktail conversation thing, that it was a good idea to bring in an elite person like that, versus that of the conspiracy of the Conservatives that's part of an operation of the Liberal Party.

Mr. Patrick Collison: I first got to know Mark in 2015 or 2016, or thereabouts. I believe he joined the board in 2020, if my memory serves me correctly.

The main thing we were interested in having was his perspective and expertise on the evolution of the global financial system generally. When he was in the U.K., he spoke a lot about open access to payment rails, central bank digital currencies, tokenized systems and things like that. He's the only living person, or I guess maybe the only living or dead person, to have been a central bank governor in two different G8 markets. As we thought about what the global financial system might look like in 10 or 20 years, we thought he would provide a valuable perspective.

● (0920)

Mr. Brian Masse: This isn't *Shaun of the Dead*, so I'm glad he's looking at living people. Where I am going with this is that I still don't see the value in the interchange experience.

When was the technology that you currently have in place developed? Did it receive any subsidies or tax reductions, being based or developed in Ireland or Canada?

I'm curious about that aspect, because again, I represent not only workers and their productivity, but also small and medium-sized businesses that are paying for something that I think is quite antiquated.

Mr. Patrick Collison: It's been extremely expensive to develop Stripe. I don't know what the cumulative Stripe spend is, but it's certainly been more than \$10 billion to develop it to the point it's at today. For the vast majority of its history, Stripe was not profitable. Investors were subsidizing Stripe to help cover the costs of building all of the software and the functionality for these businesses, so it has not been a....

For most of its history—

Mr. Brian Masse: That is \$10 billion just to be able to transfer funds from a consumer to a product in the market.

Mr. Patrick Collison: Yes, it's.... Yes is the short answer.

Payments are a funny thing. As you say, you look at it and, sure, it's a payment. How hard can it be? When you layer on the compliance considerations, the currency considerations, all of the different payment methods in different countries, the need for fraud prevention and the importance of self-serve access....

Traditionally, you'd have to go to the bank, plead your case, fill out paperwork and so on. Stripe pioneered this instantly enabling, self-serve model whereby a business can just fill out the form on a computer at home and instantly go live. This was a pioneering thing that Stripe developed. All of these together are very expensive to develop.

I agree that it sounds a bit funny when you first hear it. How could it be that hard?

Mr. Brian Masse: No, that's fair enough. This is where I want to go for the future. It's not where we were in the past, though.

Looking at all of these layers, it seems almost like a Ponzi scheme. The citizen who wants to buy something, a widget, has to pay upwards of whatever percentage to actually get that product and just give over the money, which you could do at a market or some other place face-to-face.

We have all these systems and different regulations and so forth that are really inefficient in the economy for competing. That's where I want to go with this: reducing costs.

Mr. Patrick Collison: I agree with your basic intuition. There are some transactions where you can see it's complicated. There are multiple currencies and different countries involved, and it's not trivial. There are some transactions, like buying something at the farmers' market, that make you ask, "Why should this be that complicated?"

I really support the committee spending time just thinking about this and trying to figure out ways to simplify it and make it cheaper for Canadians, because I think there are real opportunities. I agree with the thrust of your question.

Mr. Brian Masse: Thank you, Mr. Chairman. I know I'm out of time.

The Chair: Thank you, Mr. Masse.

MP Patzer, the floor is yours.

Mr. Jeremy Patzer (Cypress Hills—Grasslands, CPC): Thank you very much, Chair.

When and how did you become aware that Mark Carney was going to be the special adviser to the Prime Minister on financial matters?

Mr. Patrick Collison: I learned about it in preparing for this hearing this morning.

Mr. Jeremy Patzer: Was it just in the last week or two that you first heard of it?

Mr. Patrick Collison: That's right.

Mr. Jeremy Patzer: Okay.

Based on the testimony and interactions I've heard of other colleagues, it really feels like this is the Liberal Party campus club at the local university treatment. It's like he is trying to become the treasurer of the local campus club.

Based on media reports, Mark Carney is being considered to the next finance minister of Canada or the special adviser. This has been going on for years; it is not new. The fact that this is just being glossed over as a "whatever" deal is a bit offensive to this committee, as well as to Canadians and Canadian businesses that have been struggling over the last number of years.

When we look at conflicts of interest, even if they're just perceived.... I think there is something a bit more substantive here than just the perception.

Are you not concerned at all, based on what you've heard here today, about an apparent conflict with Mark Carney being the special adviser to the Prime Minister, as well as the prospective future finance minister of a G8 country, and his sitting on your board? We're sitting here today because the Government of Canada has issued a request to you to lower your fees. Mark Carney sits on your board as the financial adviser to the Prime Minister, and your company has just said, "No, we're not going to do it."

● (0925)

Mr. Patrick Collison: The important context here is that these Canadian policy matters are not issues of board discussion and never have been. Mark has not been involved in any of these. In fact, not only has Mark not been involved in these decisions... But until very recently, I haven't been involved because the amounts in question are so small, and because we're making less profit from Canadian businesses over time because of the tax increases. This has been a very routine matter decided by our pricing teams. It was not even a topic of discussion by the senior management team.

Mr. Jeremy Patzer: Is anybody involved in Canadian policy decisions? Your board doesn't do it. You just admitted that you haven't done it up until recently. Who is involved? Who is in charge of it? Whose email inbox or whose junk box, I guess, did the memo go to? That's what I'm trying to figure out here. Where did the memo go if you didn't see it?

Mr. Patrick Collison: We have a series of internal experts who try to make these decisions. I'm actually proud of the fact that they were willing to accept that we would make slightly less money from Canadian businesses and that our blended package would become slightly less lucrative for Stripe. We haven't changed the price in eight years. We should not increase the prices to try to preserve our margins. We'll just accept slightly less profit, because we think it's really important to provide that simplicity and predictability.

Mr. Jeremy Patzer: When it comes to the regulatory environment here in Canada, you alluded to Mark Carney's having great experience being the Governor of the Bank of Canada and the Bank of England. That is obviously a great experience for somebody to have.

Have you not tried to tap into that to figure out a little bit more how you could better navigate Canada's regulatory system? Have you not tried to utilize Mark Carney's knowledge on that at all?

Mr. Patrick Collison: No.

Mr. Jeremy Patzer: That's interesting.

Why did you bring him on board then?

Mr. Patrick Collison: It was because of his expertise in just the evolution of the financial system, generally. For example, Mark and I had a recent discussion about the interplay between stablecoins and the interest rate paid on treasury bonds. It's like a kind of arcane but, maybe in certain ways, an important kind of macroeconomic issue. I find Mark to be a really insightful thinker on those kinds of central bank macroeconomic topics. We don't engage and haven't engaged on the more purely political matters.

Mr. Jeremy Patzer: Right. What about small businesses?

That's kind of what this gets to. It's small businesses trying to make a go of it. Obviously, they have turned to you. They've turned

to your company as a payment processor. When you look at just the general operating system, this whole study is about the fact that costs are supposed to be passed on. Stripe has decided not to do it.

You seem to be, I don't know, oblivious to the fact that you have somebody who is deeply entrenched with the Liberal Party on your board. It's somebody who is tapped to be the next finance minister of this country. It's somebody who is a contender to become the next leader of the Liberal Party of Canada. It's just kind of laissez-faire, as if there's nothing wrong here and nothing to see here.

● (0930)

Mr. Patrick Collison: I think your focus on businesses that are trying to make a go of it is exactly right. I just want to be very clear.

If all businesses on Stripe are on this kind of interchange-based pricing model—those businesses and many of other providers are on such a model—those businesses have seen costs increase over the past year, because of the offsetting effect of the tax change and the interchange change.

Stripe has protected those businesses from that increase if they use our blended pricing model, where we did not increase our costs commensurately. We also haven't increased the 30¢ in tandem with inflation. Stripe is, in our estimation, even better value than it was a year ago, because we're protecting businesses from these cost increases.

Mr. Jeremy Patzer: What about around the world? Do other countries around the world have the same fee structure as they do in Canada? Is it the same for everybody around the world, or is it a unique situation here in Canada?

Mr. Patrick Collison: It varies country by country, but our pricing constructs in Canada are roughly the same as they are in the U.S., for example.

Mr. Jeremy Patzer: Not in Ireland...?

Mr. Patrick Collison: Europe has quite stringent interchange regulation, broadly.

Stripe doesn't really have a point of view on interchange regulation as a policy matter. If one caps interchange, you tend to get somewhat less card penetration and consumer credit, but you get lower interchange costs. Whether that trade-off is worth it has to be decided on a country-by-country basis.

The Chair: Thank you, MP Patzer.

MP Turnbull, the floor is yours.

Mr. Ryan Turnbull (Whitby, Lib.): Thanks to Mr. Collison for being here today.

I want to start by asking you this: Have you had any conversations with the Finance team around the expectation of handing down the cost savings from the interchange fee reduction to customers?

Mr. Patrick Collison: Deputy Prime Minister Freeland called me a couple of days ago and we had a discussion about this matter.

That's the only discussion I've had with the Canadian government.

Mr. Ryan Turnbull: There are other people in your organization, of course, who have had conversations with the Finance team as this process has been unfolding over a number of months.

Mr. Patrick Collison: That's my understanding, but I don't have the details.

Mr. Ryan Turnbull: Okay.

Mr. Patrick Collison: Somewhat tangential to this, we weren't part of the initial agreement. We're latecomers to this whole situation.

Mr. Ryan Turnbull: We had Department of Finance officials testify at the INDU committee. They said, "We've spoken with the payment processors. Our expectation was that for any rate reductions"—and Ms. Rempel Garner interrupted them, as she sometimes tends to do, to say, "Did you do that with Stripe?" The Finance official said, "We did, absolutely." That's on the direct record in the parliamentary committee evidence.

We also have the Department of Finance saying, in a public statement on October 14, "The federal government is closely monitoring the implementation of the credit card fees reduction, with the strong expectation that all payment processors like Stripe will pass the savings on to small businesses."

Then we had the Deputy Prime Minister here just this week, who said, on the record, "We have repeatedly stated that we expect all payment processors—that includes Stripe—to pass these savings on to businesses, and we are prepared to take...action to make sure that happens."

We also had Brian Peters of Stripe, whom you would know, I'm sure. I'll quote his testimony here at the INDU committee: "We are complying with every obligation we have. We're talking about an expectation in this case. We met that expectation by passing through the reduction."

What I want to clarify with you is that this clear expectation—although it wasn't an order, as Ms. Rempel Garner called it previously—has been communicated to Stripe over and over again. I think that's been confirmed.

Can you please clarify that your understanding is the same as mine—that this expectation has been clearly communicated?

• (0935)

Mr. Patrick Collison: Everything you laid out is consistent with my understanding.

Mr. Ryan Turnbull: Okay, that's great.

I have one more thing to clarify with you.

You said this multiple times, but I want to make sure I heard you correctly that the Stripe board did not make a decision on this, that there was no decision made at the board level not to hand down cost savings to Canadian businesses.

Is that correct?

Mr. Patrick Collison: Not only was there no board decision, but there was also no board discussion. In that sense, what you're saying is right.

If you'll forgive me for belabouring the point slightly, I want to contest a characterization, somewhat.

For businesses on our interchange pricing model, all of those savings have been passed on. The issue at hand is whether a business like Stripe can maintain a blended pricing scheme, where businesses are paying for a basket of products and services, in ensemble. What we're discussing is a reality where Stripe has seen its costs increase in Canada over the past year and where, despite that cost increase, we haven't increased the fees for that blended package. Of course, the products and services themselves have become more extensive.

The Canadian government could legislate, or in some form regulate, how blended pricing is provided by businesses like Stripe. I think it would be worse for businesses. That's closer to how things traditionally were. It's a very complicated, baroque pricing scheme. We could unbundle all of this and try to price all of the different components separately. I think it would be more complicated and worse for businesses. The reason so many businesses have adopted Stripe in Canada over the past decade or so is that our pricing is simpler and the value is higher than it is for traditional incumbents. Therefore, I think this would be a step in the wrong direction.

Mr. Ryan Turnbull: Yes, and you're naturally going where I wanted to drill down in my remaining time, which is the pricing model. You've said very clearly that many of your customers—you've claimed it's already most of the transaction volume in Canada—that pay you directly already have price savings. Those price savings have been passed down. Those interchange fee price reductions that were negotiated by the federal government with agreements have been passed down.

It's your blended pricing specifically that we're digging into. I think it's hard for us to understand. Your business model and the structure of that pricing are not fully clear to me at this point. What I'm hearing from you is that... My tendency is to ask, just as Mr. van Bynen did, why you can't hand down the price decreases in that blended pricing structure. Why not? That's what makes me a bit concerned. It seems as though you're not complying with what the federal government has been asking of you or that has been communicated to you with a clear expectation by the federal government.

Help me understand that. Really distill this for us, because this is where we're going to keep pushing you. I understand what you've said today. Keeping this fee structure stable has value. I think having a bundle of services has value. I get that. I understand that as a business person, and as a customer, I can see how that could have value. However, it still doesn't explain to me why you can't hand down a price decrease if the expectation has been clearly communicated by the federal government.

Mr. Patrick Collison: I appreciate the way you've laid out the question. It's natural to wonder about what you just asked.

First, on the businesses on the interchange-based pricing model, I want to clarify that, yes, they've seen the interchange change. They were discussing the price reduction in certain circumstances. They've also seen the tax increase on the processing costs. Actually, their average costs have gone up rather than down, because we're passing everything on. The businesses on the blended scheme have been insulated from that net increase.

To your question as to why we don't just change the blended price, in principle, anything is possible, of course, but the card networks change their pricing all the time. There are regular rate updates made to cross-border transactions or transactions for this sector or what have you, and of course, the blended price spans lots of different payment methods.

We are aggregating literally hundreds of different prices together into a single, stable, predictable amount. It would be extremely unfriendly and unfavourable for businesses if every time one component of that bundle changed, we updated the sticker price. It would undermine the purpose.

In general, the prices that Stripe is on the receiving end of have been increasing rather than decreasing over time. For example, our total card scheme costs have increased over the past couple of years—reasonably materially—but again, we have not changed the 2.9% plus 30¢.

Again, I don't want to falsely pretend that Stripe couldn't permanently change the blended pricing construct, but it would seem like a real departure from the core value proposition around stability that we've been providing if we were to change it to 2.89% or 2.88%, or something like that. If we were to go into that world of changing...in response to fluctuations in the underlying costs, it would become 2.93% and 2.95%, and it would be going down a road that is less favourable for businesses.

Again, it's closer to how things used to be, when they were fluctuating and volatile. I think the reason many businesses switch to Stripe is that they really value the certainty and stability that we work so hard to provide.

● (0940)

Mr. Ryan Turnbull: I'm hearing that you think it would undermine the core value proposition of those bundled services and the very stable pricing that you've been able to provide. I get what you're saying. I don't know whether it's completely satisfactory to me, but I do get what you're saying. I understand that, from your strategic business perspective, this may make a lot of sense for you, and I also get that it's not just about you. The way you're talking about it is very clearly focused on what is best for your customers. Obviously, a successful business has to serve its customers well, otherwise it won't be able to compete.

I want to clarify one other quick thing. Very clearly, you have said a number of times that because of a processing fee change, an increase, your customers are only saving about \$10. I want to just say that I understand that this may be your perspective within your target market or within your customer base, but our numbers at the federal level suggest that, based on the changes that have been made, companies—small businesses—that have credit card payments that are processed of about \$300,000 would see savings

of \$1,080 per year. It's pretty significant savings there in general. That may not be the case for your particular clients, but certainly for others that are seeing those interchange fee reductions, that's a really significant amount for a small business. I just want to get that on the record because I don't want people to misinterpret what you have said here, and I think it's important the fact that the federal government has done some decent work here to lower those interchange fees, which we really want to see handed down to small businesses. I think you can get that from all members here today. We all want to see our small businesses thrive. They've gone through tough times, and we want to make sure that they have the lowest possible fee structures and fees.

Thanks very much for your testimony.

[*Translation*]

The Chair: Thank you, Mr. Turnbull.

Mr. Généreux, you have the floor.

Mr. Bernard Généreux (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC): Thank you, Mr. Chair.

Mr. Collison, thank you very much for being here today.

Are the fees you charge in Canada, the ones set out in your fee schedule, identical to those charged everywhere else in the world?

[*English*]

Mr. Patrick Collison: It's structurally similar, but the exact amounts differ per country because the underlying costs differ in every country.

[*Translation*]

Mr. Bernard Généreux: I gather that less than 10% of your revenue comes from Canada. The Canadian government has repeatedly asked you to reduce fees here in Canada, and you have refused each time.

You're saying that you weren't necessarily the one who decided not to reduce fees in Canada. If that's the case, why do you think your company decided not to do that?

● (0945)

[*English*]

Mr. Patrick Collison: For businesses that pay us for payments directly on an interchange-based model, we pass everything through. We pass through the interchange change that you're describing. We also pass through the tax increase and the GST on payment processes and costs.

Then, for the businesses that pay us a blended fee, which is a minority of all transactions, we've insulated them from the cost increase that ensues where the interchange change is more than offset by the tax increase, and we protected those businesses from that increase.

[Translation]

Mr. Bernard Généreux: Okay, but you still made the choice not to reduce fees. Is it because there's not much competition? Earlier, you said there weren't many competitors in your industry.

Would you say that, until someone changes the environment in which you operate or exerts pressure on you to lower your fees, you have no reason to do so?

[English]

Mr. Patrick Collison: I think I said—or, at least, I meant to say—the opposite. We are in an extremely competitive ecosystem. There are more than 50 different payment providers in Canada, and we started from nothing in Canada just over 10 years ago.

The only reason we have any business at all is because customers are voting with their feet and deciding that Stripe is a better product and better value than the alternatives. Stripe will only have a successful business in Canada if businesses continue to make that determination. We are at their mercy.

Now, fortunately, more than 500 businesses in Canada chose Stripe just in the past week, deciding that Stripe offers better value than all the alternatives on offer. However, we need to win their business and win their loyalty on a daily basis. We get nothing, you know.... Nothing comes to us automatically.

[Translation]

Mr. Bernard Généreux: Earlier, when you talked about the open banking system, you said that Canada wasn't as far ahead on this as other countries.

What does Canada stand to gain from entering into the universe of open banking, particularly as it relates to cryptocurrencies? Are you involved in that sector as well?

[English]

Mr. Patrick Collison: I think Canada stands to gain better consumer experiences and lower fees by adopting some of these new real-time payment schemes and payment wallets. Today, if you want to transfer \$10 to your friend, it's actually a kind of clunky process in many countries, including Canada. With these new central bank wallets, that can then become instant, close to free and very straightforward. Once those wallets exist, they can then be used for business payments as well—again, typically, with much lower fees than traditionally with cards.

I think it creates a more competitive ecosystem. It creates better consumer experiences and reduces fees for merchants, so I think there's a lot for society to gain.

We operate a little bit in the cryptocurrency domain. Within cryptocurrency, we're most interested in what are called stablecoins. Rather than the volatile prices of Bitcoin and Ethereum and these kind of special purpose tokens, we're more interested in regular currencies—the U.S. dollar, the Euro, the Canadian dollar—and how they can be put on the blockchain and made accessible in an open access way. We don't do a lot here today, but we're pretty interested in it over the coming years, and we see it potentially as another way to reduce friction, reduce fees and provide broader access to businesses.

[Translation]

Mr. Bernard Généreux: As you said, the new way of dealing directly with the bank would significantly reduce interchange fees. Isn't it counterintuitive for a company like yours to see its sales drop significantly, or do you think this is a market with incredible potential where you can get even more customers and therefore do more business?

Do you want to see costs to go down? At this point, you can't even bring costs down when the government asks you to. Would a new way of doing things potentially mean much less revenue for you?

• (0950)

[English]

Mr. Patrick Collison: I think you're right; there's some risk there, but in the long term, we think costs for businesses should be lower rather than higher. We like the fact that, because Stripe charges on a revenue basis, our incentive is very aligned with the business. We only make money if the business does.

Increasingly, businesses are paying us for the software services that we build and all these other products that help them grow and manage their revenue, rather than just paying us for the transaction.

You're right that there is a bit of risk involved for us in that, but ultimately, we think lower costs for businesses are just the right direction to move in, and we'll figure it out. If Stripe's revenue goes down a little bit in one year, hopefully we'll make it up in future years.

[Translation]

The Chair: Thank you, Mr. Généreux. Your time is up. You even got a little extra.

Mr. Van Bynen, please go ahead. You have about five minutes.

[English]

Mr. Tony Van Bynen: Thank you, Mr. Chair.

I'm trying to get a better understanding the differences between the interchange pricing model and the blended pricing model.

Which one is it that charges 30¢ plus 2.9%?

Mr. Patrick Collison: That's what we call the blended model.

Mr. Tony Van Bynen: Okay.

What's the cost of the interchange pricing model?

Mr. Patrick Collison: There is no single number. That's the reason we think it's less friendly for small businesses. It's a very complicated fee schedule based on the card type, the country and the transaction category. There are literally hundreds of factors that go into determining the price on a per transaction basis.

Mr. Tony Van Bynen: On which one of those two plans did you commit to reducing your prices?

Mr. Patrick Collison: It's more the structure. In the interchange-based pricing model we just pass everything through, so if interchange rates change, as happened in certain circumstances here, then that automatically flows through to businesses. With the blended pricing model, we haven't changed our prices in eight years, even as various costs have gone up.

I'm happy to say that even though our costs in Canada have gone up just over the last year, we have not increased the blended fee.

Mr. Tony Van Bynen: The blended fee, again, is the 2.9% plus 30¢.

Mr. Patrick Collison: That's right.

Mr. Tony Van Bynen: Now, why would there be a percentage applied to a payment fee? For example, if it's 2.9% on a \$100 transaction, it's \$2.90. What is it about the cost base that makes you charge \$29 for a \$1,000 transaction? It's the same system utilization. It's the same transaction cost.

How do you justify that percentage?

Mr. Patrick Collison: That's a really good and, I think, deep question.

The main reason is that when we process a transaction, we are doing two things. One is removing the money and, as you say, the work involved in that is pretty much the same no matter what the amount is. Secondly, we're actually writing an insurance policy. The insurance policy is for if there's something wrong with the transaction or if there's something wrong with the product, the good or the service being provided, Stripe will backstop that transaction.

If you go to your card company and say, "Hey, this was deficient. I'm going to issue a chargeback", or whatever, by default, that chargeback or that dispute goes to the business in question. If the business in question can't afford it or can't refund it for some reason, then Stripe is on the hook and Stripe is underwriting that. Stripe's liabilities actually scale linearly with the transaction amount. That's the reason for the percentage fee.

Mr. Tony Van Bynen: It's the transaction risk in itself.

Okay. Give me a better understanding of the ecosystem. I'm concerned in part about the market dominance of Interac, Moneris and Visa.

What is Stripe's share of that market?

Mr. Patrick Collison: We don't have exact numbers, but a single-digit per cent would be my guess. If I just had to make up a number, I'm going to say 5% of Canadian transactions, but it might be meaningfully lower.

Mr. Tony Van Bynen: In making choices between Stripe and the dominant market players, what mechanisms are there for making comparisons, so that the merchants or the users can make a quick and clear decision as to which service provider is more beneficial to them?

How complicated is that process?

• (0955)

Mr. Patrick Collison: There's a code of conduct that Stripe is an adherent to that mandates some elements of standardized pricing display and so on.

Traditionally, it's been a very complicated process. It's been very opaque. I remember when we were trying to set up our first what they call "merchant account", we found it very difficult to figure out how much this would cost.

That's why we're so sort of emotionally attached to this idea of simple, transparent, blended pricing that's there on the website and doesn't change with time and so forth. It tends to be very complicated and difficult to model these costs.

Mr. Tony Van Bynen: What could the government do to expedite or to make it easier for businesses to get to the decision that's best for them?

Mr. Patrick Collison: It's a good question. I think the measures around transparency are broadly good. This is true in lots of sectors, whether it's hospitals and health care, or payments. I think having to put your prices on the website is good for competition and it's good for small businesses.

The biggest thing, though—and I apologize if I seem repetitive here—is introducing competition to the marketplace where there are just natural network effects in card schemes, whether it's Interac, Visa or what have you, that I think make it difficult for the free market to operate the way it might naturally in other spaces.

Therefore, I think introducing competing payment schemes is probably the single biggest thing that can be done to.... It might not make things simpler for small businesses because it adds another option on the market, but I think it would, over time, make things cheaper. I think that ultimately making things cheaper is probably even more important than making them simple. Then it's the job of companies like Stripe to try to package all of this together in a way that's hopefully transparent, simple and clear for the businesses in question.

The Chair: Thank you, MP Van Bynen. You're over your time.

[Translation]

Mr. Savard-Tremblay, you have the floor.

Mr. Simon-Pierre Savard-Tremblay: Thank you, Mr. Chair.

Mr. Collison, I would like to continue our previous discussion about Europe.

There is a regulatory instrument in Europe called the payment services directive. It requires banks to open their system to authorized third parties through APIs.

You're familiar with the European Union, as your company operates there. Do you think this directive has improved competition?

[English]

Mr. Patrick Collison: I think it does. In general, it's interesting; whereas the technology sector in the U.S. is generally much more vibrant than the technology sector in Europe, of course, Canada too has seen some amazing companies like Shopify being built here. Shopify is bigger than any technology company that's been started in Europe over the last 20 or 30 years.

However, in fintech narrowly, Europe is actually somewhat more dynamic than North America, and I think that's in part because Europe has created several of these pro-competition policies.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: The European directive actually contains all kinds of measures. It requires banks to guarantee that fintechs have non-discriminatory access to their system; it prevents anti-competitive practices; it prohibits hidden fees; and it has also removed traditional banks' control over all financial interactions and payments.

I'm going to ask you what we call a rhetorical question, meaning that I'm going to ask you a question even though I already know the answer.

Is there such a measure in Canada? If not, is it a shame that there isn't one?

[English]

Mr. Patrick Collison: It does not exist, to my knowledge, but steps in that direction would be really beneficial in the Canadian ecosystem, and Stripe would be excited to support them.

[Translation]

The Chair: Thank you very much, Mr. Savard-Tremblay.

Mr. Masse, the floor is yours.

• (1000)

[English]

Mr. Brian Masse: What is the compensation package for a board member at Stripe?

Mr. Patrick Collison: I don't know those numbers off the top of my head.

Mr. Brian Masse: Okay, so you actively recruit board members, but you don't know what their benefits are.

Are there financial as well as other incentives for board members, or is it a non-charity "giving up your time" status?

Mr. Patrick Collison: We pay our board members, and our general counsel benchmarks against other companies and tries to figure out what sensible amounts are.

Mr. Brian Masse: What's the ballpark of that sensible amount?

Mr. Patrick Collison: I really don't want to quote numbers off the top of my head out of fear of being wrong, but we can try to furnish some averages or something in our follow-up materials.

Mr. Brian Masse: Mr. Chair, I'd like to have those materials presented to our committee later.

Does Stripe take advantage of the corporate tax deductions for alcohol, entertainment and tickets for the 50% to 100% that's available in Canada? Does Stripe take advantage of those tax measures?

Mr. Patrick Collison: I can't state that definitively. Not to my knowledge, but I could be incorrect in that.

Mr. Brian Masse: Does Stripe actually have tickets for any sports venue or boxes or corporate venues?

Mr. Patrick Collison: Not to my knowledge, and I'll be very upset if so.

Mr. Brian Masse: Thank you, and I appreciate that.

This goes back to my original questioning here. I'm still not finding the value for Canadians and others paying into this system of corporate expenditures and then paying the costs of actually transferring funds to pay for items.

As I finish, Mr. Chair, I think that where the committee and I, at the end of the day, are is thinking that it seems that this whole system is cooked in a way that really doesn't offer much productivity for Canadian economic development, consumers or businesses.

Again, the Stripe technology that's being used right now in the upwards of \$10 billion to transfer funds is quite suspect in terms of value and returns.

I'll finish with this. It's quite convenient, when you look at this board of directors and what the Conservatives have raised, like Mark Carney, that the usual suspects end up on these types of boards and systems that are in place that cost us so much in the economy.

Mr. Collison, I appreciate your coming on and presenting the Stripe case here today, but I really don't find much value with regards to the costs Canadian businesses are paying for the services and products.

Mr. Patrick Collison: That's—

Mr. Brian Masse: You're occupying your space in your market, which is totally dysfunctional, in my opinion.

Mr. Patrick Collison: John and I have been working on Stripe for 14 years, and I'm feeling rueful that my attempts to describe Stripe's value did not compel you. My marketing credentials will, I suppose, be revoked. However, if you ever want to chat more about what we do, I'd be happy to attempt to describe and convince you—

Mr. Brian Masse: I don't think it's you, Mr. Collison. I think it's a systemic thing here. You've taken advantage of a space in the market system that has not had government regulation to protect Canadian consumers, and so forth. You've done a service that has market value because you're here for a reason. It's not on you, and it's not on Stripe. It's on our economic system of transferring funds in a virtual way versus a physical way that is creating the system problem we have, in my opinion.

Thank you. It's not your fault. You're just part of what's taking place. There's a false economy here, in my opinion.

The Chair: Thank you, Mr. Masse.

One could argue, though, that it gives access to a much bigger market for Canadian businesses. There is no doubt that it provides value to businesses. The question is, are the reductions in fees passed along to small businesses? That's the gist of why we're here today. Definitely, small businesses having access to a worldwide market provides value—in my opinion, at least.

Mr. Perkins, the floor is yours.

Mr. Rick Perkins: Thank you, Mr. Chair.

Thank you, Mr. Collison.

Mr. Collison, are you aware that, on November 25, this committee passed a motion—what's called a “documents production motion” in the Canadian Parliament—for Stripe to produce financials that we would see in camera? They would not be in public. My understanding is that we haven't received those as of today.

Can you update the committee on the progress of that?

• (1005)

Mr. Patrick Collison: Yes, I discussed this with the team yesterday. I know they're actively working on this and expect to have those materials to you quite soon.

Furthermore, even though my understanding is that we're not obligated to provide insight into Stripe's global financials—only into Stripe's Canadian subsidiary—in the spirit of being helpful, we are going to share some materials there, as well, because we want you all to have an accurate picture.

Mr. Rick Perkins: Well, I appreciate that. Thank you very much. I look forward to seeing those documents.

Mr. Chair, if I recall the motion, once we have them, we only have 30 days to examine them. We'll have to figure out how to do that on a parliamentary break.

I heard you, Mr. Collison, refer a couple of times to the increased cost. Your press release talks about the increased cost of the GST, but it's not really an increased cost. You were paying the GST, though there was a period of less than one year when you weren't, along with the other service providers, because of the court action of some of the banks. Then, the Government of Canada and the Canada Revenue Agency backfilled. You are actually still paying the tax you were paying all along, with a less-than-one-year holiday.

I'm having trouble understanding how the tax you have historically been paying would be the thing that keeps you from passing on the savings the government claims they're going to force folks to do.

I'll leave the question at that, right now, then come back to my second one.

Mr. Patrick Collison: Sure. My comment on the tax is simply that our total costs across Canadian businesses have increased rather than decreased over the last year.

On the blended system, generally, it's not about the taxes specifically. It's this idea that we want to be able to provide a bundle of services of increasing value over time at slightly decreasing cost, as

inflation rose, at 30¢. We think it's important to be able to provide that simplicity and predictability to businesses.

Mr. Rick Perkins: Thank you.

You also referred, in response to a question by MP Turnbull, to the fact that you had conversations quite recently with Minister Freeland about this.

Did you commit to Minister Freeland that you would reduce the costs? Was that the subject?

Mr. Patrick Collison: We discussed the costs. I also described Stripe's approach here and why we believe so strongly in the importance of the business friendliness of our blended payment scheme. I tried to describe it in approximately the same terms I've described it today.

Mr. Rick Perkins: Mr. Chair, earlier this week, as you know, we had the Minister of Finance and the Minister of Industry here. The Minister of Industry gave a very passionate presentation on how he would like Bill C-27 passed, as a Christmas present for him and Canadians, before Christmas.

In the spirit of Christmas and the holidays, I would like to suggest a way through this and help the minister along. I would like to seek unanimous consent to pass Bill C-27 with all amendments proposed by the opposition parties and the government today.

The Chair: I knew you would come up with a very reasonable proposition, Mr. Perkins, to get us through this.

Mr. Ryan Turnbull: No.

The Chair: I see we don't have unanimous consent. It's shocking.

Mr. Rick Perkins: I will call Minister Champagne and tell him that his parliamentary secretary said no to passing the bill before Christmas.

Thank you, Mr. Chair.

The Chair: I appreciate that, Mr. Perkins. I will relay the message.

Mr. Ryan Turnbull: I'll relay it myself.

The Chair: I see that both the minister and Mr. Perkins are very optimistic in what they can achieve.

I don't know if anyone else wants to speak. We are nearing the end of this meeting, so this would conclude the meeting for us.

I want to thank you, Mr. Collison, for joining us so early. We see behind you that the sun has risen on the west coast. Thanks for joining us. We appreciate your testimony.

Mr. Patrick Collison: Let me just say that even though we may have some different points of view on the optimal economic models, different categories, and so on, I understand that for all of you the questions come from the vantage point and the perspective of wanting to improve things for businesses, generally, and especially for small businesses, in particular.

Stripe very much shares that value. I appreciate your focus on the issues. Perhaps there will be areas we can work on together in the future, whether it's on real-time payments or anything else.

Thank you.

• (1010)

The Chair: Thank you, Mr. Collison.

It dawned upon me, listening to your testimony, that perhaps not everyone pays as much attention to Canadian political gossip in The Globe and Mail as we do here on the Hill.

Mr. Van Bynen, I see your hand is up.

Mr. Tony Van Bynen: Thank you, Mr. Chair.

Regarding that conversation, I know that with the federal government, we have an Ethics Commissioner who determines what's appropriate and inappropriate behaviour for members of Parliament. I want to clarify with Mr. Collison to confirm whether or not his corporation has a code of conduct for directors and a commissioner in charge of making sure there's appropriate behaviour by the directors and members of the board.

Mr. Patrick Collison: We require that board members disclose conflict of interest to the general counsel.

Mr. Tony Van Bynen: Thank you.

The Chair: Thank you, Tony.

That's the very last question for this year.

Thank you again, Mr. Collison.

Thank you, colleagues.

As you know, Monday will be cancelled because it's the fall economic statement, so this is our last meeting before we adjourn for the holidays.

I want to wish all members a merry Christmas, happy holidays, happy Hanukkah.

Mr. Ryan Turnbull: Merry Christmas.

The Chair: I look forward, to some extent, to seeing you in the new year.

Voices: Oh, oh!

The Chair: Have a good one and take care.

The meeting is adjourned.

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