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du Canada

A large, stylized graphic consisting of several overlapping, curved, ribbon-like shapes in shades of blue and white, creating a sense of motion and depth. The shapes are layered, with some appearing to be in front of others, and they curve upwards and to the right.

# Consumer's Guide to Basic Banking Services

March 2002



Financial Consumer  
Agency of Canada

Agence de la consommation  
en matière financière du Canada





**Consumer's Guide to Basic Banking Services**  
March 2002

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Cat. No. FC4-1/2002

ISBN 0-662-66338-1



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## INTRODUCTION

### About the Consumer's Guide to Basic Banking Services

The *Consumer's Guide to Basic Banking Services* is produced by the Financial Consumer Agency of Canada (FCAC) as a companion piece to *The Cost of Banking – Annual Report 2002* (previously entitled Financial Service Charges Annual Report), produced by Industry Canada's Office of Consumer Affairs. This guide provides plain-language information to help clarify the cost of basic banking services for consumers.

The aim of the Guide is to emphasize the importance of knowing your banking habits. The Guide includes a checklist and a worksheet you can fill out, to help you track your banking behaviour. This information will enable you to understand your financial needs and to choose the right service package.

The Guide focuses on low-fee accounts, accounts for youth, seniors and students. It also includes a feature on "white-label" ABMs and point-of-sale terminals, and explains the benefits of maintaining a minimum monthly balance.

Starting in 2003, the FCAC will be solely responsible for the annual report on the cost of banking.

For additional information for consumers on financial products and services, visit the FCAC Web site at: <[www.fcac-acfc.gc.ca](http://www.fcac-acfc.gc.ca)>.

You may also wish to try out the financial services calculator located on Industry Canada's Web site at <[www.consumer.ic.gc.ca](http://www.consumer.ic.gc.ca)>. This will help you identify the lowest-cost account for your particular needs, from more than 100 accounts at 14 Canadian financial institutions.

### About the FCAC

The Financial Consumer Agency of Canada (FCAC) was created on October 24, 2001 by the *Financial Consumer Agency of Canada Act* to strengthen the oversight of consumer protection measures in the federally regulated financial sector and to expand consumer education activities.

With the creation of the FCAC, consumer protection activities in the federally regulated financial sector, which were previously spread among several agencies, were consolidated under the Agency.

The FCAC has a two-fold mandate: to educate consumers about financial services, and their legal protections as consumers of financial services, and to oversee and report on compliance by federally regulated financial institutions with federal consumer protection provisions, as well as with their own voluntary codes, self-regulatory initiatives and public commitments.

*In the present document, basic banking services refer to day-to-day transactions available through your bank, credit union or caisse populaire.*



## HIGHLIGHTS

- The federal government and eight banks have worked together to enhance the availability of lower-cost banking services for consumers. As a result, a greater variety of low-fee accounts, giving access to in-branch transactions, is now available.
- The minimum balance consumers hold can have a significant impact on the service charges they pay.
- Many financial institutions provide accounts designed for young people, students or senior citizens that may be beneficial for consumers in these categories.
- The use of another institution's automated banking machine (ABM) is becoming more expensive:
  - Some major banks have increased their fees for using another institution's ABM (known as network access fees or Interac® fees) to \$1.50 from \$1.25 per withdrawal. These institutions are also introducing surcharges for non-clients at off-premise (i.e., outside the premises of a financial institution) ABMs, in addition to account fees and "network access fees" (or Interac® fees).
- The number of independent ABMs not operated by financial institutions (known as "white-label ABMs") has grown, which has resulted in a number of changes in the marketplace:
  - White-label ABMs now represent more than one-third of all ABMs in Canada.
  - When using white-label ABMs, consumers must pay extra fees (referred to as "convenience fees"), on top of "network access fees" and other regular account fees they pay their financial institution for completing a transaction.
  - Consumers are informed that they will be charged the convenience fee and given the option of cancelling the transaction before a fee is charged.
  - A portion of the revenue generated by convenience fees is usually returned to the owner of the premises where the ABM is located (e.g., drug store, gas station, etc.).
- In 2001, a white-label operator began a pilot project to install in retail outlets approximately 800 point-of sale (POS) terminals, which allow the operator to add a convenience fee to each debit card purchase.



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■ Conclusion:

- It is important to keep track of your banking habits.
- You need to understand and be aware of all of the banking fees you pay, in order to choose the right service package.
- By shopping around, you can find the best service package to fit your needs and save money.
- If you are well informed, you can modify your behaviour and avoid paying unnecessary ABM fees.

## SPECIAL ACCOUNTS

### Low-Fee Accounts

The federal government and eight of Canada's banks worked together and signed agreements to enhance the availability of lower-cost banking services for consumers. As a result, in 2001 a greater variety of low-fee accounts, giving access to in-branch transactions, became available. These agreements are for a period of two years following their introduction. The details vary between banks but all accounts offer a debit card, no charge for deposits, some in-branch transactions and a free monthly statement or passbook. Regular service fees apply for transactions above the monthly limit. The table below illustrates the features of these low-fee accounts. Other low-cost packages, focussing on self-serve transactions, are also available at some of those banks. For comparison purposes, we have also included other low-cost accounts available at those banks and other financial institutions that were not part of the agreement process (although some of them do not include in-branch transactions). The asterisk (\*) indicates accounts resulting from these agreements.

Table 1: Low-Fee Accounts <sup>1</sup>								
Institution <sup>2</sup> (Account Name)	Monthly Fee	Maximum Number of Monthly Transactions		Common In-Branch Transactions <sup>+</sup>	Common Self-Serve Transac. <sup>**</sup>	Minimum Monthly Balance <sup>3</sup> (for monthly fees to be waived)	Handling Fee for Each In-Branch Bill Payment	Other Features
		In-Branch	Self-Serve					
Bank of Montreal (Basic Plan)*	\$3.50	10		✓	✓	\$1,000	—	
(Instabanking Plan)	\$5.00	0	20	—	✓	\$1,500	\$1.50	\$1.00 fee applies for each ABM paper bill payment. Free cheque return. Option to apply \$5 discount to more comprehensive plan.
CIBC (CIBC Waive Account)*	\$4.00	12		✓	✓	\$1,000	—	The \$1,000 minimum balance waives all banking transaction fees, regardless of the number of transactions
CS-COOP (PrestoMagic Bronze)	\$4.95	20		See Footnote 4		—	Branch bill payments not available	Includes free money orders, certified cheques, personalized cheques, stop payments and one-signature travellers' cheques
Desjardins (Economic Plan)	\$2.00	0	7(2 cheques max.)	—	✓	—	\$1.75	
HSBC (Performance Basic Banking Package)*	\$4.00	12 (including a maximum of 4 in-branch transactions)		✓	✓	—	\$1.35	1 additional electronic debit for each direct deposit

Table 1: Low-Fee Accounts <sup>1</sup>

Institution <sup>2</sup> (Account Name)	Monthly Fee	Maximum Number of Monthly Transactions		Common In-Branch Transactions <sup>+</sup>	Common Self-Serve Transac. <sup>**</sup>	Minimum Monthly Balance <sup>3</sup> (for monthly fees to be waived)	Handling Fee for Each In-Branch Bill Payment	Other Features
		In- Branch	Self- Serve					
Laurentian Bank (The UltraSaver Plus)*	\$2.95	8 (including a maximum of 2 in-branch transactions)		✓	✓	—	\$2.00	
	(The UltraSaver)	\$2.50	0	10	—	✓	—	
National Bank (Accessible)*	\$3.50	12 (including a maximum of 2 in-branch transactions)		✓	Extra charge for ABM bill payments	—	\$2.00	No account handling charges for statement option
	(Direct Access)	\$5.00	0	20 (2 cheques max)	—	✓	\$1,500	\$2.00
PC Financial (No Fee Bank Account)	\$0.00	—	Unlimited	—	✓	—	Branch services not available	Free transactions at CIBC, Amicus and PC Financial ABMs. Free groceries with PC™ points.
Royal Bank (Signature Plus Flat Fee Option – Small) <sup>*5</sup>	\$4.00	15		✓	✓	—	—	One extra debit transaction per automated payroll deposit
Scotiabank (Basic Banking Account)*	\$3.95	12 (including a maximum of 4 in-branch transactions)		✓	✓	—	—	
	(Powerchequing Account)	\$2.50	0	12	—	✓	\$2,000	—
TD Canada Trust (Value Account)*	\$3.95	14 (including a maximum of 4 in-branch transactions)		✓	✓	\$1,000	—	
VanCity Credit Union (Plan 24)	\$0.00	10		Cheques, ABM bill payments and pre-authorized debits are not available		\$1,000	\$1.50	

✓ Included — Not Included/Not applicable

<sup>1</sup> For the purposes of this report, "low-fee" refers to service packages with monthly fees of \$5.00 or less.

<sup>2</sup> Citizens Bank and Metro Credit Union are not included, as they do not offer service packages with monthly fees of \$5.00 or less.

<sup>3</sup> The minimum balance must be maintained throughout the month, for the monthly fee to be waived.

<sup>4</sup> Online, branch and ABM bill payments not available. The only bill payment option is by telephone (\$0.50 per transaction).

<sup>5</sup> Available prior to agreement with the federal government.

<sup>+</sup> Common in-branch transactions include withdrawals, transfers of funds, bill payments (no handling fees) and balance inquiries at a financial institution.

<sup>\*\*</sup> Common self-serve transactions include withdrawals, transfers of funds, bill payments and balance inquiries at an ABM or by Internet/telephone. They also include cheque writing, Interac® direct payments, pre-authorized debits and monthly statements. Network access (Interac®) ABM fees are not included unless otherwise specified. See Table 5, on Page 20, for the network access fees charged by various financial institutions.

## Seniors' Accounts

Many financial institutions offer a complete service package for seniors with minimal or no fees. If you think that you qualify for a “seniors package”, you should contact your financial institution to discuss the benefits of such a plan. The table below highlights some of the benefits offered for seniors at various financial institutions.

Table 2: Seniors' Accounts						
Institution <sup>6</sup> (Account Name)	Age to Qualify	Monthly Fee	Maximum Number of Monthly Transactions	Common In-Branch and Self-Serve Transactions*	Free Money Orders	Free Certified Cheques
<b>Bank of Montreal</b> (Standard Plan with Senior Special Discount)	60	\$0.00	50	✓	—	—
<b>CIBC</b> (CIBC Advantage for Seniors)	60	\$0.00	Unlimited	✓	✓	—
<b>CS-COOP</b> (Good Life 59+)	59	\$0.00	Unlimited	✓	✓	✓
<b>Desjardins</b> (Merit Service)	60	\$0.00	Unlimited	✓	✓	✓
<b>HSBC</b> (Performance PLUS)	60	\$0.00	Unlimited	✓	✓	—
<b>Laurentian Bank</b> (Senior Citizen Program Plus)	60	\$4.60	45	✓	✓	✓
<b>Metro Credit Union</b> (Senior Service Package)	59	\$0.00	Unlimited	✓	✓	✓
<b>National Bank</b> (NatPlus)	59	\$0.00	10 (including a maximum of 5 in-branch) <sup>7</sup>	✓	✓	✓
<b>Royal Bank<sup>8</sup></b> (Senior's Rebate)	60	\$0.00	15	✓	—	—
<b>Scotiabank</b> (Scotia Plus for Seniors)	59	\$0.00	40	✓	✓	✓
<b>TD Canada Trust</b> (Plan 60)	60	\$0.00	Unlimited	✓	—	—
<b>VanCity Credit Union</b> (Gold Club)	55	\$0.00	Unlimited	See Footnote 9	✓	✓

✓ Included — Not Included/Not applicable

\* Common in-branch and self-serve transactions include withdrawals, transfers of funds, bill payments (no handling fees) and balance inquiries in-branch, at an ABM or by Internet/telephone. They also include cheque writing, Interac<sup>®</sup> direct payments, pre-authorized debits and monthly statements. Network access (Interac<sup>®</sup>) ABM fees are not included unless otherwise specified. See Table 5, on Page 20, for the listing of network access fees charged by various financial institutions

<sup>6</sup> Citizens Bank does not offer a seniors package. PC Financial does not offer a special account, since it does not charge any fees on its regular account (see Table 1).

Table 2: Seniors' Accounts

Free Stop Payments	Travellers' Cheques (Commission on one-signature cheques)	Free Personalized Cheques <sup>10</sup>	Discounts on Annual Rental of Safety Deposit Boxes	Plan Available for Spouse under Qualifying Age	Other Features
—	—	—	—	✓	Free Braille statements. Option to apply \$10 discount to more comprehensive plan.
—	0%	—	✓ (\$5)	—	Free Braille or large-print statements
✓	0%	✓	—	—	Extra 1/2 per cent interest on your personal chequing account and on term deposits
—	0%	✓	✓ (\$5)	If account is joint	\$100 off fees for specialized service at Desjardins Trust
—	0%	✓	✓ (\$12)	If account is joint	Bonus interest rates on monthly interest GICs and Canadian term deposits
—	0%	✓	✓ (\$15)	✓	1% interest rate reduction on a personal loan
—	—	✓	✓ (\$10)	—	1/4% bonus interest on Daily Interest Chequing
—	0%	✓	✓ (\$5)	If account is joint	
—	1%	—	—	—	One extra free debit transaction per automated payroll credit
✓	0%	✓	✓ (\$5)	✓	Bonus interest on Scotia Daily Interest Savings accounts; free semi-annual lifestyle newsletter; free processing of foreign currency cheques
—	0%	✓	✓ (\$5)	—	1/4% interest bonus on GICs
—	0%	✓	✓ (\$5)	—	1/4% bonus on monthly income term deposits

<sup>7</sup> No transaction fees if minimum balance throughout the month is greater than \$1,000. Otherwise 10 transactions per month. Per-transaction fees apply for transactions exceeding the monthly limit.

<sup>8</sup> Royal Bank's seniors plan offers a 25% or \$4.00 discount on any regular account, whichever is the higher amount. In the example provided, the basic *Signature Plus Flat Fee* Option was used.

<sup>9</sup> VanCity Credit Union does not offer bill payments at an ABM.

<sup>10</sup> Number of cheques provided varies between financial institutions, but cheque orders usually contain from 100 to 200 cheques.

## Student Accounts

If you are enrolled in a post-secondary institution, you may qualify for a special student service package. These packages generally provide students with a complete array of services at a fraction of the regular fees. The table below shows the packages offered to students by some financial institutions.

Institution <sup>11</sup> (Account Name)	Requirements	Monthly Fee	Maximum Number of Monthly Transactions		Common In-Branch Transactions*	Common Self-Serve Transactions**	Other Features
			In-Branch	Self-Serve			
<b>Bank of Montreal</b> (Instabanking Plan with Special Student Discount)	Students 21-25	\$0.00	0	20	—	✓	\$1.00 fee applies for each ABM paper bill payment. Free cheque return. Option to apply \$5 discount to more comprehensive plan.
<b>CIBC</b> (CIBC Advantage for Students)	Full-time students in post-secondary program	\$2.00	12		✓	✓	The monthly plan fee is waived if you maintain a minimum monthly balance of \$1,000 in your account at all times during the month
<b>CS-COOP</b> (A+ The Student Package)	Full-time or part-time student in graduate program	\$4.95	Unlimited	Unlimited	See Footnote 12		Includes free money orders, certified cheques, personalized cheques, stop payments and one-signature travellers' cheques
<b>Desjardins</b> (Youth Profit Account)	Students 18-24	\$2.50 <sup>13</sup>	0	40 (Max. of 3 cheques)	—	✓	
<b>Laurentian Bank</b> (Student Program)	Students 18-24 in full-time post-secondary program	\$3.75	0	35	—	✓	2 free transactions per month on the Interac® ABM network
<b>National Bank</b> (ClickStudent Account)	Students 18-24 in full-time post-secondary program	\$2.75	0	Unlimited	—	✓	2 free transactions per month on the Interac® ABM network
<b>Royal Bank</b> (Student Banking package)	Full-time student	\$3.50	25		✓	✓	One extra free debit transaction per automated payroll credit. Free annual membership in the Student Price Card program, which provides discounts at major retailers across Canada.

Table 3: Student Accounts

Institution <sup>11</sup> (Account Name)	Requirements	Monthly Fee	Maximum Number of Monthly Transactions		Common In-Branch Transactions*	Common Self-Serve Transactions**	Other Features
			In-Branch	Self-Serve			
<b>Scotiabank</b> (Student Banking Advantage Plan)	Full-time students in post-secondary program	\$1.25	0	12 <sup>14</sup>	—	✓	
<b>TD Canada Trust</b> (Student Discount on Self Serve Account)	Full-time students in post-secondary program	\$3.45	0	20	—	✓	The monthly plan fee is waived if you maintain a minimum monthly balance of \$1,500 in your account at all times during the month
<b>VanCity Credit Union</b> (Student Advantage Account)	Students 19-24 in full-time post-secondary program of at least 12 weeks	\$3.50	40		✓	No bill payment at an ABM	

✓ Included

— Not Included/Not applicable

<sup>11</sup> Citizens Bank, HSBC and Metro Credit Union do not offer a student package. PC Financial does not offer a special account, since it does not charge any fees on its regular account (see Table 1).

<sup>12</sup> Online, branch and ABM bill payments not available. The only bill payment option is by telephone.

<sup>13</sup> Desjardins student plan offers a \$4.00 discount on any regular account. In the example provided, the *Autonomous Plan* was used.

<sup>14</sup> The monthly fee covers the consumer's 12 most expensive self-serve transactions. Fees for additional transactions receive a 50% discount off fees that apply on regular *Powerchequing* account.

\* Common in-branch transactions include withdrawals, transfers of funds, bill payments (no handling fees) and balance inquiries at a financial institution.

\*\* Common self-serve transactions include withdrawals, transfers of funds, bill payments and balance inquiries at an ABM or by Internet/telephone. They also include cheque writing, Interac® direct payments, pre-authorized debits and monthly statements. Network access (Interac®) ABM fees are not included unless otherwise specified. See Table 5, on Page 20, for the network access fees charged by various financial institutions.

## Youth Accounts

Most financial institutions offer special accounts for children, teenagers and young adults. Youth accounts are usually offered at no monthly fee. The number of services provided, however, varies between financial institutions. The table below illustrates the main features of the youth accounts offered by various financial institutions.

Table 4: Youth Accounts								
Institution <sup>15</sup> (Account Name)	Age to Qualify	Monthly Fee	Maximum Number of Monthly Transactions		Common In-Branch Transactions*	Common Self-Serve Transactions**	Other Features	
			In-Branch	Self-Serve				
Bank of Montreal (Instabanking Plan with Youth Special Discount)	Up to 15	\$0.00	20		✓	✓	Handling fees of \$1.50 apply for each in-branch bill payment. Free cheque returns and option to apply \$5 discount to more comprehensive plan.	
(Instabanking Plan with Young Adult Special Discount)	From 16 to 20	\$0.00	0	20	—	ABM paper bill payment not included	Free cheque returns and option to apply \$5 discount to more comprehensive plan	
CIBC (Advantage for Youth)	Under 19	\$0.00	Unlimited	Unlimited	✓	✓		
CS-COOP (MoneyQuest)	18 and under	\$0.00	Unlimited	Unlimited	Bill payments not available		Includes free money orders, certified cheques, personalized cheques, stop payments and one-signature travellers' cheques	
Desjardins (Youth Profit Account)	From 0 to 17	\$0.00	Unlimited	Unlimited	✓	✓	Handling fee of \$1.75 for each in-branch bill payment	
	From 18 to 21	\$2.50 <sup>16</sup>	0	40 (Max. of 3 cheques)	—	✓ (Max. of 3 cheques)		
HSBC (Savings Youth Option)	Under 19	\$0.00	Unlimited	Unlimited	✓	Cheques not available	Standard transaction fees apply for other services	
Laurentian Bank (Day by Day Interest Plus Youth)	18 and under	\$0.00	Unlimited	Unlimited	✓	Interac® direct payment not included		
National Bank (First Step Account)	From 0 to 6	\$0.00	Unlimited	Unlimited	✓	No cheques, no pre-authorized debits		
	(Coolcash Account)	From 7 to 12	\$0.00	Unlimited	Unlimited	✓	✓	No user fee for the Interac® and CIRRUS® ABM networks
	(i.d. Account)	From 13 to 17	\$0.00	Unlimited	Unlimited	✓	✓	Rebate of \$0.50 on Interac ABM network



Table 4: Youth Accounts

Institution <sup>15</sup> (Account Name)	Age to Qualify	Monthly Fee	Maximum Number of Monthly Transactions		Common In-Branch Transactions*	Common Self-Serve Transactions**	Other Features
			In-Branch	Self-Serve			
<b>Metro Credit Union</b> (Fat Cat)	12 and under	\$0.00	Unlimited	Unlimited	Bill payments not included		
<b>Royal Bank</b> (Leo's Young Savers Account)	Under 19	\$0.00	15		✓	✓	One extra free debit transaction per automated payroll credit
<b>Scotiabank</b> (Getting There Savings Program for Youth)	Under 19	\$0.00	0	40	—	✓	Includes monthly cash prizes and an annual grand prize to encourage youth to learn about banking by making regular deposits
<b>TD Canada Trust</b> (Youth Account)	Under 18	\$0.00	Unlimited	Unlimited	✓	✓	
<b>VanCity Credit Union</b> (Fat Cat Account)	Under 13	\$0.00	0	Unlimited	—	No bill payments at an ABM	
(The Teen Account)	From 13 to 18	\$0.00	40		✓	No bill payments at an ABM	

✓ Included

— Not Included/Not applicable

<sup>15</sup> Citizens Bank does not offer a youth package. PC Financial does not offer a special account, since it does not charge any fees on its regular account (see Table 1).

<sup>16</sup> Desjardins 18-21 youth package offers a \$4.00 discount on any regular account. In the example provided, the *Autonomous Plan* was used.

\* Common in-branch transactions include withdrawals, transfers of funds, bill payments (no handling fees) and balance inquiries at a financial institution.

\*\* Common self-serve transactions include withdrawals, transfers of funds, bill payments and balance inquiries at an ABM or by Internet/telephone. They also include cheque writing, Interac® direct payments, pre-authorized debits and monthly statements. Network access (Interac®) ABM fees are not included unless otherwise specified. See Table 5, on Page 20, for the network access fees charged by various financial institutions.

## CONSUMER INFORMATION

### Consumer's Checklist

- Some things to think about:
  - What is more important to you: convenience or low fees?
  - Does your financial institution offer a low-fee or no-fee account?
  - Could you benefit from a student, youth or senior citizen's service package, with minimal or no fees?
  - What are your needs? Keep track of your banking transactions each month so that you can gain a full understanding of your banking habits (a form is provided on Page 21, to help you do this).
  - Would a service package be more beneficial to you than a "pay-as-you-go" option?
- Do you understand the terms and conditions of your account?
  - the monthly fees you are paying for your service package;
  - the type and number of transactions that are included in this package (for example, are bill payments included in the package?);
  - the fees you are required to pay for any transactions you make over and above your monthly limit (fees may vary depending on the type of transaction);
  - whether your monthly fee is tied to the balance in your account. If so, what minimum balance must you maintain in order to eliminate your monthly fees?

### Tips to help you save money

- **Ask questions.** Your financial institution can help you find the right service package.
- **Shop around** using the form provided on Page 21 and/or the financial services calculator located on Industry Canada's Web site at <[www.consumer.ic.gc.ca](http://www.consumer.ic.gc.ca)> to determine the lowest-cost service package that best suits your needs.
- Depending on the amount of business (e.g., loans, investments, etc.) you conduct with your financial institution, you may be able to **negotiate** a lower monthly fee for your service package.
- **Electronic and automated services** (e.g., Internet, telephone, ABMs, etc.) usually cost less than branch services.

- By **using your financial institution's ABMs** you will avoid paying unnecessary fees and save money.
- If, in order to eliminate your monthly fees, you choose a service package with minimum balance requirements, **make sure you keep the minimum balance at all times**. Even if your balance drops below the minimum balance requirement for only one day, you will be charged the full monthly fee.
- Try to **minimize the number of transactions** you make (a large withdrawal may be less costly than several smaller ones).

**Potential Benefits of Maintaining a Minimum Monthly Balance**

Many institutions waive the monthly service fees if you maintain a minimum monthly balance in your account. Depending on the financial institution and the type of account, minimum balances range from \$500 to \$5,000. On most accounts, however, the minimum balance is generally \$1,000 or \$2,000.

Maintaining a minimum monthly balance can often waive the monthly fee associated with your services package. However, any cost savings should be compared to the returns or other opportunities you forego by keeping your money in your bank account (this concept is known as *“opportunity cost”*). For example, if you have a loan, it may be more cost-effective to pay it down than to keep the funds in your bank account to save the monthly service fees.

The illustrations below demonstrate that, when compared to conservative investment options (Guaranteed Investment Certificates or GICs, for example), you can save much more by maintaining the minimum monthly balance in your account, than you would earn if you invested the amount in a GIC<sup>17</sup>.

**Illustration 1: Current Situation – Minimum Balance of \$1,000**

Mr. Smith has a chequing account at a financial institution where, if he maintains a minimum monthly balance of \$1,000, his monthly fees of \$6.50 are waived. As an alternative to keeping \$1,000 or more in his account, Mr. Smith could invest these funds in a one-year GIC, with an interest rate of 1.06%<sup>18</sup>, compounded annually.

Annual savings from monthly minimum balance (\$6.50 x 12)	Return on a \$1,000 investment in a GIC
\$78	\$10.60 (before income tax)

In the example above, it is to Mr. Smith’s advantage to maintain the minimum monthly balance in his account until he finds an investment with after-tax returns higher than 7.8%.

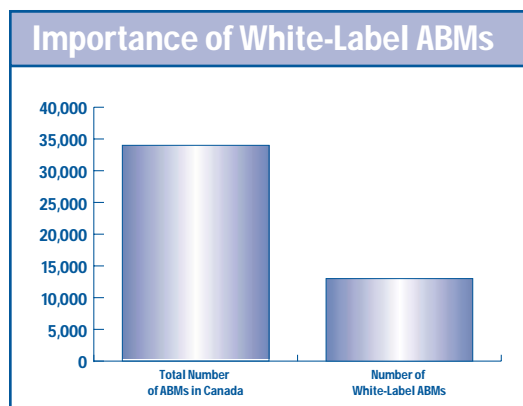
<sup>17</sup> Although the examples above are intended for illustration only, the figures used approximate the actual package options available at several major Canadian financial institutions.

<sup>18</sup> Effective rate on February 1, 2002 (average of five major banks, Desjardins and VanCity Credit Union).



Based on an Ipsos-Reid survey of December 2001<sup>19</sup>, it appears that more frequent users of white-label ABMs and other types of ABMs imposing surcharges have the following characteristics:

- lower levels of household income (i.e., less than \$30,000);
- younger individuals (18-34); and
- lower levels of education (less than high-school education).



Source: Interac® Association, Financial Consumer Agency of Canada

There are three types of fees that consumers may incur when using ABMs: regular account fees, “network access” fees (also known as Interac® fees) and “convenience” fees. These are described in the table below.

Type of Fee	Description	Amount (\$)
<b>Regular account fees</b>	Service charges paid by consumers for services provided by their financial institution.	These charges vary from \$0 to more than \$1.25 per transaction depending on the financial institution, the consumer's service package and the type of service provided.
<b>Network access (Interac®) ABM fees</b>	Fees charged to consumers to access their account when they use an ABM not owned by their financial institution. The network access fees are on top of the regular account fees.	These fees are not regulated and can vary across locations and financial institutions. These fees, however, are usually \$1.25 to \$1.50 per transaction.
<b>Convenience fees</b>	Fees paid by consumers for the use of white-label ABMs and the off-premise ABMs of some financial institutions <sup>20</sup> . The convenience fees are in addition to regular account fees, and network access fees the consumers pay their financial institution for completing a transaction.  Consumers are informed that they will be charged convenience fees through on-screen notification each time they use an ABM to make a cash withdrawal. They are also given the option of cancelling the transaction before a fee is charged.	The fee is usually about \$1.25 to \$1.50. There is no limit, however, on the convenience fee that may be imposed (for example, the fee can be as high as 10 per cent of the amount withdrawn in some ABMs).

<sup>19</sup> Christmas Shopping and Buying: What's in the Window, and How People will Pay For It, Ipsos-Reid. Release date: December, 18 2001.

<sup>20</sup> CIBC and the Royal Bank are now introducing convenience fees for non-clients who wish to withdraw funds from the banks' off-premise ABMs (located in retail outlets, for example).

The example below illustrates the total fees imposed on a consumer who completes a transaction through an ABM that charges convenience fees.

ABM Fees on a \$20 Withdrawal		
Regular account fee	\$ .75	
Network access fee	\$1.25	
Convenience fee	\$1.50	
<b>Total fees*</b>	<b>\$3.50</b>	<b>(or 17.5% of the amount withdrawn)</b>

Note: \*For illustration purposes only. The fees may vary between financial institutions, type of account/service package and ABM operators.

The illustration below shows how much you can save by changing your banking habits with respect to ABM use.

### Illustration – Savings resulting from a change in ABM use

Mr. Jones makes 10 ABM withdrawals per month: 4 at his own institution's ABMs, 3 at another institution's in-premise ABMs, and 3 at ABMs that charge convenience fees.

Currently, Mr. Jones pays \$12 per month in extra ABM fees. Extra ABM fees are the network access (Interac®) fees and convenience fees that you may pay for using ABMs, and do not include the fees incurred for transactions over and above your monthly limit.

For the purposes of this illustration, we have assumed the network access fees to be \$1.25 and the convenience fees to be \$1.50. Let's take a look at how much Mr. Jones would save by changing his banking habits (assuming his financial institution's ABMs are within a reasonable distance from his residence or place of work).



Option 1: Mr. Jones decides not to use ABMs that charge convenience fees anymore. He will now make 7 withdrawals at his own institution's ABMs and 3 at another institution's in-premise ABMs.

Monthly network access fees saved:	\$3.75	(3 x \$1.25)
Monthly convenience fees saved:	\$4.50	(3 x \$1.50)
<b>Total monthly ABM fees saved:</b>	<b>\$8.25</b>	<b>(\$99 per year)</b>

Option 2: Mr. Jones decides to use only his own institution's ABMs for all 10 transactions.

Monthly network access fees saved:	\$7.50	(6 x \$1.25)
Monthly convenience fees saved:	\$4.50	(3 x \$1.50)
<b>Total monthly ABM fees saved:</b>	<b>\$12.00</b>	<b>(\$144 per year)</b>

#### Conclusion:

By deciding to use only his own institution's ABMs, Mr. Jones pays no extra ABM fees, and saves up to **\$144** annually.

### ***White-Label POS Terminals***

There are more than 460,000 point-of-sale (POS) terminals (or direct payment terminals) located on the premises of approximately 325,000 merchants across Canada. These terminals are almost entirely operated by Canada's major financial institutions. Other than the regular account fees they pay, consumers making debit purchases through POS terminals are usually not charged additional fees for such transactions.

In 2001, a white-label operator began a pilot project to install, in retail outlets, approximately 800 point-of-sale (POS) terminals, which allow the operator to add a convenience fee to each debit card purchase and to share a portion of the revenue generated by the convenience fees with the merchants where the terminals are located. As with ABMs, if convenience fees are imposed at a POS terminal, Interac Association's rules and regulations require that POS owners provide consumers with prior notice of these fees, and an opportunity to cancel the transaction.

### ***Advice on the Use of ABMs and POS Terminals***

- **Shop around.** If you are a frequent ABM user, you may want to check whether your financial institution offers unlimited access to its ABM network, for a monthly fee.
- By **using your financial institution's ABMs** you will avoid paying unnecessary fees and save money.
- If you cannot use one of your financial institution's ABMs, **consider using the *in-premise* ABMs** of another financial institution, since you will not pay a convenience fee.
- Consider withdrawing **one large amount** instead of several smaller amounts.
- In some stores, you may be allowed to **withdraw cash along with a debit purchase** without incurring additional fees.
- If a merchant charges you a fee for a debit card purchase, **consider using another means of payment** (e.g., cash or credit card), or **making the purchase elsewhere** if that is an option.
- **If a problem arises while you use an ABM** (e.g., if your account was debited but you did not receive your money, or your ABM card remained in the machine), note down as much information as possible about the ABM (location, owner/operator, ID or serial number) and **notify your financial institution immediately**. Most institutions offer toll-free telephone numbers and/or 24-hour customer service.

## Appendix 1: Network Access Fees (also known as Interac® fees)

Network access fees (also known as Interac® fees) are the fees charged for accessing your account when you use an ABM not owned by your financial institution. They are on top of your regular account fees. Some service packages include a limited number of withdrawals at other institutions' ABMs without any network access fees. The table below shows the network access fees charged by various financial institutions.

Table 5: Network Access Fees Charged by Various Financial Institutions As of February 1, 2002	
Institution	Network Access Fee
Bank of Montreal	\$1.25
CIBC	\$1.50
Citizens Bank	Not applicable <sup>21</sup>
CS-COOP	\$1.10
Desjardins	\$1.25
HSBC	\$1.25
Laurentian Bank	\$1.50
Metro Credit Union	\$1.25
National Bank	\$1.25
PC Financial	\$1.25
Royal Bank	\$1.50
Scotiabank	\$1.25
TD Canada Trust	\$1.25
VanCity Credit Union	\$1.25

<sup>21</sup> Citizens Bank does not have its own ABMs, but provides its customers with unlimited access to the Interac® ABM network without any network access fees.



# Appendix 2: Consumer Profile Worksheet

## CONSUMER PROFILE

This profile is designed to examine your banking habits. It will help you in selecting or ensuring you have the most effective service fee package for your needs. Complete this profile prior to a talk with your financial institution.

Are you under 19?  Are you enrolled in a full-time post-secondary school education?

Are you a senior\*? (contact your bank for age stipulations)

*If you answered "yes" to any of the above questions, check with your financial institution for a specially-priced plan tailored to your situation. If none of the above apply, please continue...*

What is your estimated minimum monthly balance?

### MY BANKING ACTIVITIES

(estimated # of transactions per month)

withdraw money .....  account transfers .....

write cheques .....  bill payments .....

Interac Direct Payment .....  pre-authorized payments

total estimated monthly transactions

*Next, consider any extras you may want included in your plan...*

withdrawals at other financial institutions' ABMs . . .  stop payments .....

overdraft protection .....  direct payment outside of Canada .....

cancelled cheques returned . . .  travellers cheques .....

spousal/joint holder benefits . .  foreign currency .....

rewards .....  safe deposit box .....

money orders .....  credit cards .....

### HOW DO YOU BANK?

Some people do all of their transactions in-branch, with the assistance of a teller or branch representative. Others do a mix of in-branch and self-serve\* transactions, while still others prefer to do all of their transactions on a self-serve basis.

Now take a look at how you conduct your banking activities and estimate the number of transactions per month that will be in-branch and/or self-serve.

# of in-branch transactions  # of self-serve transactions

\*self-serve refers to electronic banking options such as ABMs, Interac Direct Payment, telephone banking and PC/Internet banking. Your bank may also include cheques as self-serve.

*You may want to discuss the following with your financial institution...*

- access to PC/Internet banking
- account inquiries
- access to telephone banking
- fees waived for minimum account balance
- record keeping options (passbook, statement)

### MAKING A DECISION

So, what type of service plan, if any, do you need? If you already have a plan, assess whether it's right for you. A wide variety of offerings are out there. There's "basic" (for people with little account activity per month – 12 or less transactions) to "comprehensive" (for people with diverse needs and frequent account activity each month – 40+ transactions). There are plans for "connected customers" who use electronic banking to its fullest potential, while other plans are for people who prefer the "personal touch" of in-branch banking.

If you have access to the Internet, Industry Canada has a helpful Financial Service Charges Calculator at [www.strategis.ic.gc.ca/SSG/ca00669e.html](http://www.strategis.ic.gc.ca/SSG/ca00669e.html) that allows you to compare monthly service fees at various Canadian financial institutions.

Source: Getting Value for Your Service Fees (Feb. 2002); Canadian Bankers Association