



MANIFESTO

APRIL 2021



LETTER FROM THE DIRECTORS

Over four million Canadians are already using FinTech's today in Canada and would like a more secure way to access loans, mortgages, connect to budget app and other exciting new services. They do this because they want a more personalized, digital banking experience that empowers them to do more with their money. The challenge is that this not only exposes consumers to inherent risks, but it keeps them from being the gatekeepers of their own financial data. It also allows the large banks who control consumer's banking data to set the pace of innovation to suit their own purposes rather than meeting the changing financial needs of all Canadians, from the wealthy to the chronically underserved. No single entity can provide the comprehensive solution that today's consumers are seeking. Today's consumers want to choose and integrate complementary technologies that are simple to use, tailored to their goals and helps them better understand and manage their finances. Open banking makes this possible. It has the power to revolutionize the banking experience for all Canadians. There is no question that open banking offers significant benefits for Canadian consumers as well as the small business owners who are the backbone of our economy. It could also level the playing field for smaller banks, credit unions, challenger banks and fintechs. Open banking is the path to true collaboration and has the potential to evolve the financial services industry in a way that creates sustainability, extends reach and, ultimately, helps financial institutions (FIs) and fintechs of all sizes more holistically and transparently meet their customers' needs. With brand trust and the ability to establish relationships, FIs and fintechs can confidently secure and serve partnerships that can help both their business and market share grow. As an advocate for consumer protection, Open Banking Initiative Canada (OBIC) seeks to play a significant role in preparing the market for open banking in Canada, while also providing support to both the Canadian government and ecosystem stakeholders towards the establishment of open banking. This manifesto is our statement of purpose and our thoughtfully informed, collaborative plan to bring open banking in Canada to fruition.



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INTRODUCTION

WHAT IS OPEN BANKING?

Open banking is a global movement to empower consumers with control over their financial data. This control gives consumers freedom to share their personal data with third-party companies that can then use that data to provide alternative financial services that make it easier for consumers to move, manage and control their money. This will in turn provide them with greater choice, control and personalized financial services. The concept of open banking is also referenced as Consumer Directed Finance (CDF) in Canada, a suggestion made by the Department of Finance after the first public consultation in January 2019.

WHY CANADA NEEDS OPEN BANKING

Canada's current model for offering consumers this kind of digital banking experience is screen scraping, a practice that essentially scans and scoops banking transaction data such as purchase types, payments and deposits in order to provide financial apps required data for the personalized experience that consumers have come to expect. However, it leaves their data vulnerable to hackers and once they have given permission to service providers, they cannot control how long these third-party apps can continue to access their bank accounts or, how much data they have access to.

Open banking changes all this by offering a secure banking ecosystem that allows consumers to selectively share financial transaction data with regulated fintechs, FIs and payment services that fit their unique needs. In this regulated model, Canadians choose who can access their financial data, where they can use it and when they can no longer see it. Open banking in Canada is ultimately consumer-directed finance (CDF), and it puts consumers where they should be when it comes to their money: in the driver's seat.

While consumer needs and interests must be the priority, the advantages of open banking in Canada go far beyond this. Open banking not only establishes a regulatory framework for CDF to evolve, but it also:

- Ensures transactions between a consumer, bank and a third-party app are secure yet transparent, all while being protected by dispute-resolution protocol.
- Engages regulators to ensure that safeguards are in place to protect consumers, banks, fintechs, payment services and businesses.
- Establishes regulatory standards that qualify and govern third-party apps and their use of consumer financial data.
- Sets a foundational standard that advances our financial ecosystem and strengthens our economy nationally and internationally.



INTRODUCTION

WHO IS OBIC?

Open Banking Initiative Canada (OBIC) exists to develop a market-driven open banking framework in Canada that will make consumer empowerment possible in our country. We are a not-for-profit organization gathering great minds in finance, technology and regulation, creating a groundswell that will be a force for good, giving Canadian consumers choice and control over their financial data.

OUR MISSION

Our mission is to be a single voice for the financial services industry that represents the viewpoints of its key participants: consumers, fintechs, payment services, banks and industry experts. We endeavour to ensure that the open banking framework that Canada develops will:

- Capture all parties' interests across Canada
- Help to develop and sustain a globally competitive market Place the needs and interests of the consumer first.

OUR COMMITMENT TO GENDER DIVERSITY

OBIC is committed to increasing our current female board members from 16% to 50% by the end of 2021. Living this commitment will drive inclusion and diversity forward as we work to ensure that the open banking framework fulfills our mission. This commitment also helps to develop a globally competitive market and, most importantly, keeps the interests of consumers interests first.

LEADERSHIP

Our leadership is reflected in the inclusive and comprehensive nature of our Board.

EDUCATION

We seek to inform and educate all interested parties about the value and opportunity that open banking will bring to Canada. One of the ways that we do this is through our **Open Banking Insight Series**, weekly interviews with fintechs, banks, payment services, venture capital (VC) firms and government officials in both Canada and the UK. Moderated by Independent Senator Colin Deacon and OBIC's Michelle Beyo, each episode offers candid conversations between UK and Canadian fintech leaders and subject matter experts. They explore the gaps in the Canadian landscape in due to the absence of a framework, and highlight opportunities where Canada can make improvements to the open banking experience by learning from other jurisdictions.

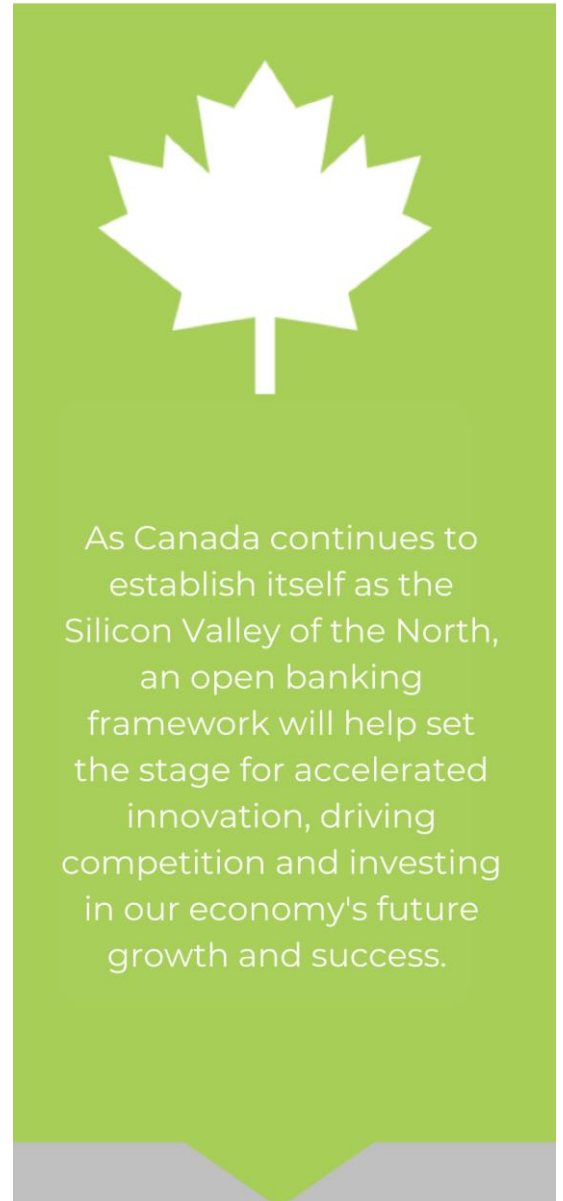


EXECUTIVE SUMMARY

OPEN BANKING: Not a Zero-Sum Game

OBIC was invited to attend all sessions of the second consultation with the Department of Finance in November and December 2020. From attending these sessions, we are positioned to share a summary of the opportunities, challenges, and additional insights from the consumer's perspective (see also Appendix One for details and additional insights). This is especially critical as the average Canadian is just \$200 away from financial insolvency at the end of each month, and the debt load is getting bigger.¹ In November of 2020, Equifax Canada reported that consumer debt in Canada topped \$2 trillion.² As Canada moves forward and begins to recover in the post-COVID-19 world, Canadians now more than ever will need innovation and coordinated actions from our financial services sector and government to help all of us become better engaged and informed about our finances. Within Canada, Open Banking can also be one solution to connect underbanked communities, allowing consumers and small businesses to opt for best-in-class services that meets their specific circumstances and goals. Two years ago, the full Senate of Canada stated:

"Canadian consumers need open banking regulations as soon as possible for three main reasons: to keep their personal financial information safe; to be provided more choice and improved financial products and services; and to help keep the Canadian financial sector strong and internationally competitive." – Open Banking: What it means for you, June 2019 Standing Senate Committee on Banking, Trade and Commerce Senate of Canada



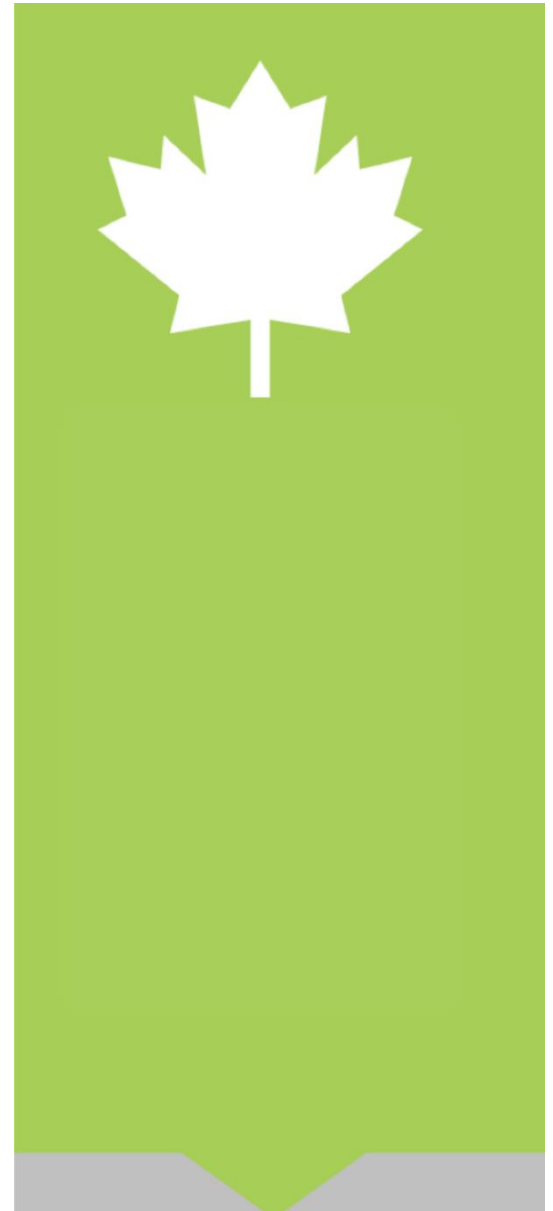


EXECUTIVE SUMMARY

These comments were shared in the report “Open Banking: What it Means for You” from June 2019 by the Standing Senate Committee on Banking, Trade and Commerce Senate of Canada, and to this day we have made little to no progress addressing these important issues. We need to work together for everyone to win. Open banking will create a regulatory framework for consumer-directed finance banking to evolve by (1) ensuring transactions among consumers, banks, fintechs and alternative financial service providers are transparent and protected; (2) instituting a regulated environment and standards to ensure that safeguards are in place to protect consumers and stakeholders; and (3) fostering domestic and global growth for our financial industry. Canada is well-positioned to lead as we can learn from first to market countries such as the UK, EU, Australia, Singapore, US, Hong Kong, and Brazil, but we are at risk of falling behind these markets and decoupling from this international sector as a part of the integrated global financial system. We cannot afford to fall further behind.

OBIC does not see Consumer Directed Finance (CDF) as a zero-sum game. The framework will enhance product development, security and fraud prevention, and personalization and customization while maintaining the systemic stability and safety widely recognized as critical cornerstones of the Canadian banking system – leading to benefits and opportunities for all stakeholder groups in our ecosystem.

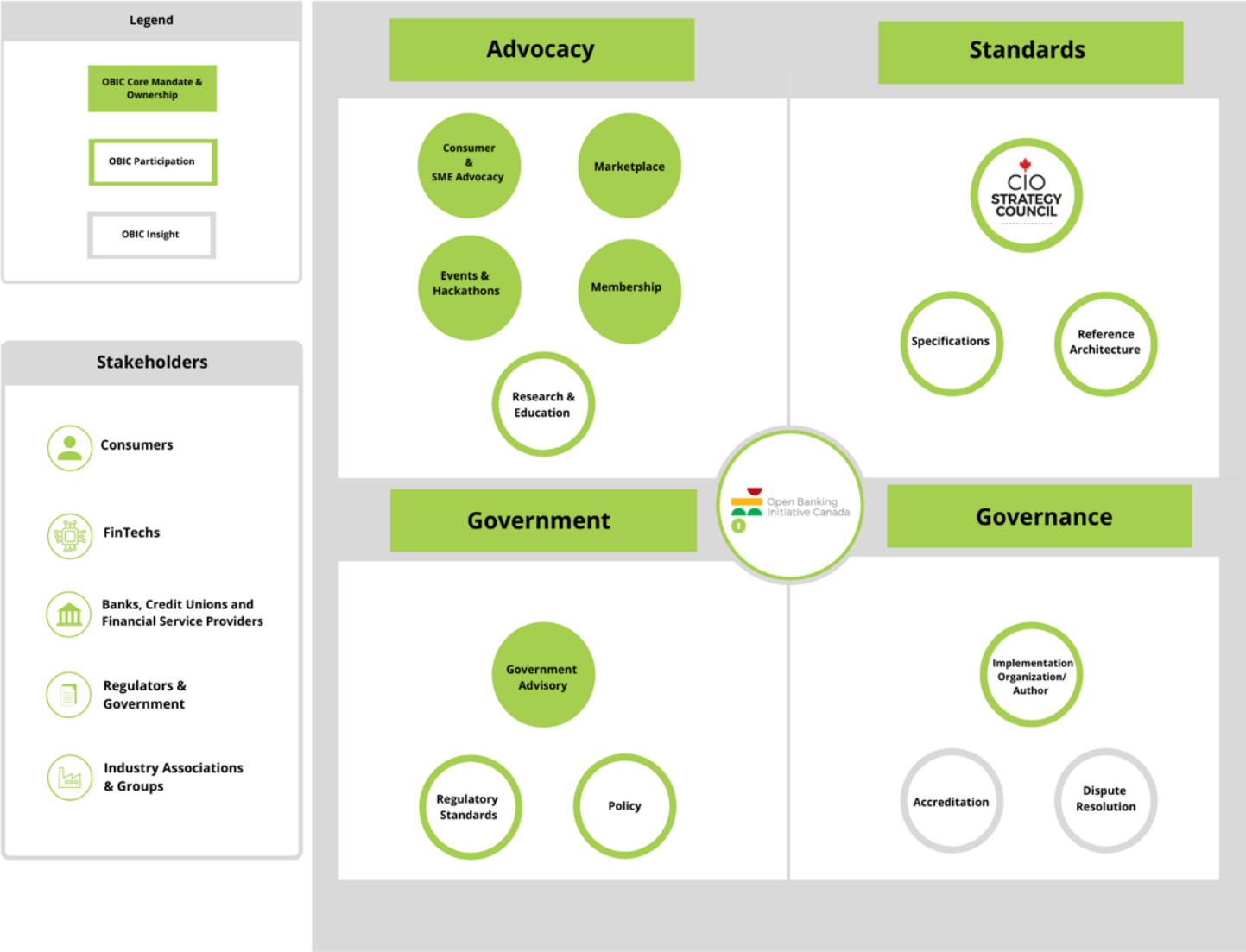
In the 2008 crisis, Canada emerged as a banking leader. We are well-positioned to lead open banking and can lead from first to market countries like the UK. We are ready as fast followers to build a world-leading ecosystem that can drive investment in our fintechs, create new jobs, and help our economy recover from the economic repercussions of the COVID-19 pandemic.





EXECUTIVE SUMMARY

OBIC'S STRUCTURE AND PARTNERSHIPS





EXECUTIVE SUMMARY

OBIC'S VISION FOR OPEN BANKING IN CANADA

ALL STAKEHOLDERS

OBIC is a centralized Canadian group of experts who have considered and assessed each stakeholder that will be impacted and benefited from the open banking initiative in Canada.

CANADIAN-DRIVEN

OBIC draws from its global partners' standards and learnings, with a wholly Canadian body that ensures Canada can steer its own course and enable its citizens' and consumers' best interests.

INNOVATION

Open banking will unlock a significant wave of innovation that will provide new and modern banking options to consumers, as well attract new partners, opportunities and revenue channels for all stakeholders. This will help to create a sustained economic growth in Canada.

GLOBAL LEADERSHIP

Canada has an opportunity to be at the forefront of global innovation, which will draw a significant influx of investment capital, high-paying jobs and economic growth that will persist well into our future.

SECURITY

Sharing and accessing banking data is not new. However, it exists today in a limited and insecure way. Open banking provides the security, privacy, speed and trust to enable consumers to access and share their data while ensuring everyone with access to it uses the highest modern security standards.

SCOPE

We need to keep in mind the purpose of open banking to ensure consumer welfare and economic growth by providing control over data sharing. Both retail and corporate banking should make up part of the scope under open banking.



EXECUTIVE SUMMARY

LEARNING FROM THE UNITED KINGDOM



1. Consumer UI/UX experience was problematic as banks did not integrate mobile into open banking from the beginning. Smartphones and tablets with 4G/5G provide easy consumption by consumers and result in a faster adoption rate.³
2. Every bank's sandbox was different, even after using the same API specification. We believe that each bank's sandbox should be an identical reflection of the production systems. The standard(s) should be followed consistently and accurately across all banks to ensure a consistent and predictable experience.
3. Support for screen-scraping must continue until the APIs are fully available.
4. There is a project underway to determine a future model in the UK due to this phased approach from the outset. We believe that the legislation should have a broad focus, and the implementation body should have the mandate to drive phased and continued implementation that can adjust to meet consumer needs over time.

IMPLEMENTATION



1. Implementing Consumer Directed Finance (CDF) needs to have separation of the governance bodies from the accreditation bodies.
2. We need a tiered implementation that will not allow back-tracking, and screen-scraping should not be prohibited until API access is permitted. Forbidding screen-scraping would impact 4 million Canadians' access to financial tools that they use today.
3. Any standards developed under CDF should be Open Source from the start as it makes public review and adoption easier.



EXECUTIVE SUMMARY

GOVERNANCE



1. OBIC supports proposals of having separate implementation and accreditation bodies, in line with the principle of separation of duties.
2. We believe that the system's governance should be guided by the principles of consumer welfare, competition and promoting economic growth.
3. We support creating and implementing a consumer-first approach to governance.
4. OBIC believes in an open and transparent governance system that always involves public comment.
5. All rules should be consistent, whereby all participants will have the same rules applied to them, to avoid an imbalanced approach.
6. OBIC will recommend a forward-looking rule-making process, rather than a process meant to capture business happening today.
7. We believe that the governance body should also have rule-making authority.

CONSISTENCY



1. Regardless of who they bank with, consumers should have consistent opportunities and experiences regarding their service offerings to security standards (to mitigate fraud).
2. Digital identity would improve the ease, efficiency and security of the consumer experience and help Canada become a global leader in open banking.



EXECUTIVE SUMMARY

ASPECTS LACKING IN CURRENT CONSULTATIONS



We believe that Write Access within CDF will empower consumers as it allows approved third-parties to initiate payments on behalf of various utilities and services, and therefore it must be included in the near term roadmap. This brings an alternative method to existing card payments, which will also boost competition and investment in the Payments sector. Without Write Access, open banking will not deliver full benefits to consumers and will limit fintech innovation, which addresses all marginal use cases that incumbents don't solve.

We must keep in mind the purpose of open banking, which is to ensure consumer welfare and economic growth through consumers being in control of their data. For success, the scope needs to be comprehensive and broad, and use cases must be built around consumers' overall financial well-being.

CONCLUSION



The decisions that will be made about open banking over the next 24 months will impact Canadian consumers and business owners for the indefinite future. As described above, the meaningful CDF framework envisioned by OBIC has the very real potential to kick start Canada's economy as it would empower new entrants to capture new opportunities and address gaps that incumbents simply cannot.

It is more important than ever for a unified approach that puts the consumer first without conflicting commercial interests and one which supports an ecosystem that is more of an impartial government-led third-party.



MOTIVATION



MOTIVATION: CONSUMERS

MONEY MANAGEMENT

Recent studies⁴ reveal that many Canadians are struggling to build their savings and meet their debt obligations. Key findings indicate that:

- 48% are \$200 away from insolvency at the end of each month
- 54% say they are more concerned about their ability to repay their debts than they were in previous years
- On average, they have just \$557 after paying their monthly bills and obligations
- 3 out of 10 do not make enough money to cover their monthly bills and debt obligations

RETIREMENT SAVINGS

In terms of Canadians' financial readiness for retirement, research⁵ reveals:

- 68% are currently saving for their retirement
- 70% do not think they are saving enough
- 59% are worried about losing their financial independence when they stop working
- 53% are concerned that they will have to re-enter the workforce after they officially retire
- 50% of those saving for retirement have not visited a financial advisor in the last 12 months
- 39% do not think they have enough money for a professional advisor to be interested in them

Another study⁶ suggests that \$697,000 is the average savings amount that most Canadians view as necessary for a comfortable retirement.

EDUCATION SAVINGS

Canadians report⁷ that ineffective experiences with or limited access to FIs and services is a significant barrier to understanding and accessing registered education savings incentives. Data from related studies⁸ into education savings trends reveal that:

- Only 44% of parents are taking advantage of a Retirement Education Savings Plan (RESP)
- 32% of parents are not saving for their children's education whatsoever
- 68% of parents, upon reflection, would go back and do something different to save more in order to have saved more for their children's education

Open banking is needed to provide customers with greater ownership and control of their data and a choice to build their financial wardrobe, leading to more productivity and success.





MOTIVATION: SMALL BUSINESS

SIGNIFICANT ECONOMIC DRIVER

As of December 2017, there were 1.18 million employer businesses in Canada⁹. Of these, 1.15 million (97.8%) were small businesses, who provide 70% of all jobs in Canada. Small businesses also:

- Provide over a third of Canada's gross domestic product (GDP) and make up 30% of their provinces' GDPs on average¹⁰
- Create up to 100,000 jobs per year
- Foster local and national innovation
- Contribute significantly to municipal, provincial and federal tax base

Despite being a significant economic driver in our country, many small businesses are underserved by the financial services industry. They struggle to stay afloat in the face of cash flow challenges and increasing production costs.¹¹ Small business owners are challenged to access a focused set of financial tools, which can impede their growth potential. Banking fees tend to be high, and processes are bogged down by legacy systems that have not pivoted into the digital age to meet the modern small business owner's changing needs. The digital banking solutions available to small business customers today are often hybrid personal solutions rather than innovated tools specifically designed to help small businesses overcome their challenges.

Open banking offers Canadians small businesses more choices, control and security. It also offers significant opportunity to access innovative tools tailored to their unique business needs, all of which have been designed to help them grow and prosper in a digital age.





MOTIVATION: FINANCIAL INSTITUTIONS AND FINTECHS

COMPETITIVE OPPORTUNITY

A healthy and competitive financial services sector is vital to Canada's economic well-being. Our current banking culture predominantly favours Canada's largest FIs. In a recent report by the World Bank Group, Canada is ranked only 23rd in the world for ease of doing business. The report considered different aspects of the participating countries business environment including their regulatory environment.¹²

Within this culture, the concentration of asset size held by a handful of large retail banks has increased more than almost any other developed country in the world.¹³ This has resulted in:

- A dominant market share that allows a small group to determine the pace and direction of financial innovation in the country.
- An uneven playing field that flourishes to the exclusion of smaller credit unions and FIs, challenger banks and fintech firms.

To truly meet the changing needs of consumers and small businesses in a digital age, this balance of power in the financial industry must shift. Progressive and inclusive innovation requires banking providers to welcome competition by partnering with fintechs and other third-party providers who can help them excel in today's digitally-driven world.

Not only could this positively shift the equilibrium in the financial services industry, but it could also redefine the very nature of relationships between FIs and emerging partners in consumer-centric innovation.

Open banking is the path to innovation and competitive opportunity in the financial services industry. It can accelerate the financial data revolution and stimulate competition for Canadian banks, fintechs and payment services on the national and global stage. Most importantly, this innovation collaboration will benefit Canadian consumers and small business in their financial lives.





MOTIVATION: FINANCIAL INSTITUTIONS AND FINTECHS

ADDITIONAL BENEFITS OF OPEN BANKING FOR CANADIAN FIS AND FINTECHS

OBIC also strongly believes that open banking can support FIs and fintechs in the following important ways:

1. Position FIs to create customer-centric, highly personalized solutions that can extend their reach and secure market share.
2. Break down provincial and geographical barriers across Canada, while also allowing consumers and small businesses to opt for best-in-class service that meets their specific goals.
3. Help unbanked/underbanked consumers access financial services, increasing and diversifying the consumer base in the market and boosting revenue for all, as the consumer-base grows.
4. Provide opportunity for FIs to offer micro-finance services to improve agility and create an inclusive lending environment to serve their consumers and small businesses.
5. Create new revenue streams for FIs, offering premium APIs in addition to what is ordinarily required by legislation.
6. Encourage partnership between FIs and fintechs while enabling both participants to create innovative products and services.
7. Empower and incentivize fintechs to build innovative financial services technology using key data, providing insight into what consumers require both today and in the future.



MOTIVATION: THE CANADIAN ECONOMY

CLOSING THE GAP, CREATING POSSIBILITY

Large Canadian banks are able to legitimately reduce their corporate tax burdens through depreciation, investment losses, loan interest write-offs and tax credits, the lowest in all the G7 countries.¹⁴ While this is understandably viewed as a good thing for banks, as well as for their profits and shareholders, it creates an increasingly expanding gap that negatively impacts the Canadian economy. In a report on the “*High Cost of Low Corporate Taxes*” between 2010-2015¹⁵ a comparison was made between the taxes paid by large retail banks versus those paid within other industries. Non-financial entities paid taxes at a 32.9% tax rate. Non-financial entities without oil and gas paid taxes at a 24.1% tax rate. The banking sector paid taxes at a 10.5% tax rate. In the UK, the HM Revenue and Customs (HMRC) is currently investigating how it can use small businesses and self-employed individual’s real time financial transaction data, obtained with their permission through open banking, to calculate and collect tax.¹⁶

With the adoption of open banking in Canada, this could change, spurring innovation at scale and levelling the playing field for all participants versus the current “walled garden” approach that large banks currently enjoy.¹⁷ Open banking could also drive significant benefits to the Canadian economy by:

1. Fuelling global small businesses prosperity and financial wellness.
2. Creating a trust framework for CDF to evolve.
3. Encouraging increased participation in the financial market.
4. Ensuring transparency between consumers, FIs and fintechs.
5. Engaging regulators to ensure that safeguards are in place to protect consumers, FIs, fintechs and other businesses.
6. Establishing regulatory standards that qualify and govern fintechs and their use of consumer financial data.
7. Setting a foundational standard that advances our financial ecosystem and strengthens our economy.
8. Fostering domestic and global growth for our financial industry.

Open banking could potentially result in a review of the corporate taxes payable by the financial sector, increasing government revenue that will ultimately flow down to the Canadian people.












GLOBAL STATUS AND CONSIDERATIONS FOR NATIONAL DEPLOYMENT



GLOBAL STATUS OF OPEN BANKING: A SNAPSHOT

	Year Started	Data Rights	Digital ID	Read/Write Functionality
 BRAZIL	18 Launched in November 2020	18 Enables sharing of customers' representatives' registry information, and transactional data related to products and services. This will extend to sharing of services of initiating payment transactions and more.	18 Account service providers shall adopt procedures and controls for customer authentication.	18 Read functionality mandated since November 2020 when Open Banking began its implementation with Phase I. Write functionality will be implemented in Phase III (August 2021).
 AUSTRALIA	20 Launched in July 2020	20 The Consumer Data Right Act became law on July 1, 2020 which will be rolled out in stages. Currently, consumers share their bank data for deposit, transaction accounts, credit and debit cards. This will extend to home, investment, personal loans, as well as joint accounts.	20 Australian model excludes data supporting an identity verification check.	20 The Consumer Data Right (CDR) legislation will initially focus on read functionality beginning in July 2020. Write functionality may be provided in the future.
 HONG KONG	21 Launched in January 2019	21 Enables access to bank generated data, starting with information sharing on products and services, and finishing with sharing of transactional information and payments initiation services.	21 Leverage the Regulatory Technical Standards (RTS) for strong customer authentication.	21 Read functionality mandated in Phase I and write functionality will be mandated in Phase IV (timeline to be announced).
 SINGAPORE	22 Launched in November 2018	22 Enables sharing of bank accounts, credit cards, pension contributions, social security savings, and government housing scheme payments.	22 Leverages the National Digital Identity (NDI) that will be on available on the basis of biometric authentication.	22 Read functionality and write functionality enabled in late 2018 through the API Exchange (APEX).
 UK	19 Launched in January 2018	19 EU's PSD2 and Open Banking framework focuses on open access to non-personal data for public statistical aggregation shared through APIs.	23 As part of PSD2, Strong Customer Authentication (SCA) was implemented for online payments. Will focus on two-factor authentication.	23 Read and write functionality have been mandated since 2018 through open API standards. This only applies to transaction accounts to nine banks.
 EU	19 Launched in January 2016	19 EU's PSD2 and Open Banking framework focuses on open access to non-personal data for public statistical aggregation shared through APIs.	19 As part of PSD2, Strong Customer Authentication (SCA) was implemented for online payments. Will focus on two-factor authentication.	19 Read and write functionality have been mandated since 2018 through open API standards. This only applies to transaction accounts to nine banks.
 USA	24 Various discussions among banks, fintechs, intermediaries and regulators taking place to discuss approach for data sharing regime in the US. Has not yet launched.	24 The US does not have a central federal level privacy law such as the EU's GDPR. There are instead several vertically focused federal privacy laws including: US Privacy Act, Gramm-Leach-Bliley Act.	24 Recently, Congressman Bill Foster (D-IL) has recently introduced the bipartisan Improving Digital Identity Act of 2020. If enacted, the bill would "establish a government-wide approach to improving digital identity."	24 A number of banks already participate in API regimes that provide Read and Write functionality (e.g. Plaid) and Citi has created Open API for verified third parties.



EUROPEAN UNION AND PSD2

The European Union (EU) was the first to institute open banking in January 2016.

Aligned with the philosophy underlying OBIC's mandate, open banking in the EU was driven by consumer protection objectives and increased consumer access to data. As a practical motivation, open banking in the EU aimed to harmonize the then fragmented payments sector. The initial system was overpopulated by thousands of payment providers of various sizes and sophistication levels, domiciled across 28 member states, each with its own unique regulatory and market context. Open banking in the EU also aimed to provide consumers with alternatives to big banks by allowing entities other than FIs to provide payment services.

DIRECTIVE 2007/63 (PSD1) regulated the information requirements, rights and obligations of payment services users, and established a prudential regulatory framework for market entrants qualified to provide these services (i.e. payment service providers).

DIRECTIVE (EU) 2015/2366 (PSD2) built on PSD1 and took steps toward the complete harmonization of the EU payments market. This effort included:

- Extending its application to payment transactions in multiple currencies (notwithstanding the currency of the member states)
- Introducing new payment services and account information services
- Banning surcharges
- Reducing the amount a user could be compelled to pay in the event of an authorized operation (from 150 to 50 Euros)
- Establishing a "Central Electronic Register" to strengthen the transparency of the authorized payment institutions held at the European Banking Authority (EBA)
- Introducing the concept of responsibility, which is shared among the different actors involved

PSD2 expanded the scope of transactions within its regulatory and legislative regime, ensuring uniform application across member states. This, in turn, created a consistent user experience across borders and provided third-party access to customer payment data by introducing Payment Initiation Service Providers (PISPs) and Account Information Service Providers (AISPs).



GLOBAL STATUS: EU & PSD2

THIRD-PARTY FINANCIAL SERVICES PROVIDERS UNDER PSD2

PSD2 made space for non-traditional financial service providers to join the payment services market. This allows consumers and sellers to use third-party service providers ("TPPs") such as fintechs to manage their finances. This was achieved by introducing the AISPs and PISPs into the scope of PSD2.

PSD2 created third-party PISPs to push and pull payment instructions, and AISPs to aggregate a consumer's financial data via Application Program Interfaces ("APIs").

To be fully authorized under PSD2, TPPs must register as either an AISP or a PISP.

AISPs are services that...

provide the payment service user with aggregated online information on one or more payment accounts held with or one or more other payment service providers and accessed via online interfaces of the account servicing payment service provider. The payment service user then has an overall view of its financial situation immediately at any given moment.

PISPs are services that...

establish a software bridge between the merchant's website and the online banking platform of the payer's account servicing payment service provider to initiate internet payments based on a credit transfer. Payment initiation services enable the payment initiation service provider to provide comfort to a payee that the payment has been initiated to provide an incentive to the payee to release the goods or deliver the service without undue delay. Such services offer a low-cost solution for both merchants and consumers and allow consumers to shop online even if they do not possess payment cards.



GLOBAL STATUS: UNITED KINGDOM

THE UNITED KINGDOM

The United Kingdom (UK) issued open banking as a direct mandate from its Competition and Markets Authority (CMA). In August 2016, the CMA issued a report concluding that the retail banking market was not sufficiently competitive and was dominated by large banks.

The CMA outlined a package of remedies that required the nine largest UK banks to adopt “open API banking standards, and to make data available using these standards.” The largest nine banks were given a timeline of 18 months to implement one API standard that would apply to all current accounts, including business and retail accounts. Other banks were able to opt-in voluntarily.

OPEN BANKING IMPLEMENTATION ENTITY

The CMA also established the non-profit Open Banking Implementation Entity (OBIE) to connect banks and third-party fintech developers. OBIE’s goal was to create software standards and industry guidelines that drive competition and innovation in UK retail banking. OBIE would also help integrate open banking and make it possible for fintechs to test their products and services based on the data. Fintechs would be required to be regulated by the UK Financial Conduct Authority (FCA).

READ/WRITE APIS

Open banking in the UK uses Read/Write APIs with standards and specifications defined by OBIE. To securely access and share data, participating banks develop an API endpoint on which fintech developers can build applications. The use of APIs allows consumers to retain full control over their account information. Consumers must give explicit consent before using any fintech applications and are redirected to their FI’S login screens to enter their login credentials. Consumers determine which information can be accessed, for how long and for what purpose and can revoke their consent at any time. Shared data is encrypted, usage is tracked and only regulated persons can access it.

REGULATORY TECHNICAL STANDARD

The Regulatory Technical Standard prescribes how open banking operates in the UK.

Consumers determine which information can be addressed, for how long and for what purpose and can revoke their consent at any time. Shared data is encrypted, and its usage is tracked, and only regulated entities can access it.





GLOBAL STATUS: AUSTRALIA

AUSTRALIA

In July 2017, the Australian government commissioned the “Review into Open Banking in Australia” to recommend the most appropriate open banking model in Australia.²⁵ The recommendations of that commission ultimately became the “Consumer Data Right” (CDR) with the primary goals of:

- Empowering Australians with the choice to share their data with trusted recipients only for the purposes that they have authorized.
- Improving consumers’ ability to compare and switch between financial products and services.
- Encouraging competition between service providers to enhance value to consumers and stimulate more innovative products and services.

CDR AND OPEN BANKING

The CDR recommendations essentially became the country’s regulatory framework and implementation plan for open banking. Before making final decisions on implementation, the Australian government released the Report of the Review into Open Banking in February 2018 for public comment. In May 2018, the government agreed to the recommendations of the Review, both for the framework of the overarching CDR as well as the application of the right to open banking, which will be rolled out in phases, starting with banking and then, ultimately, rolling it out across the entire economy on a sector-by-sector basis.

Australia’s regulatory framework for open banking is legislated through amendments to the Competition and Consumer Act (2010) and regulated by the Australia Competition and Consumer Commission. Open banking in Australia is supported by the Office of the Australian Information Commission.

BROADER THAN EUROPE

While the UK model was used as the base template for the Australian model, the scope of data available in the Australian model is much broader.

IMPLEMENTATION TIMELINE

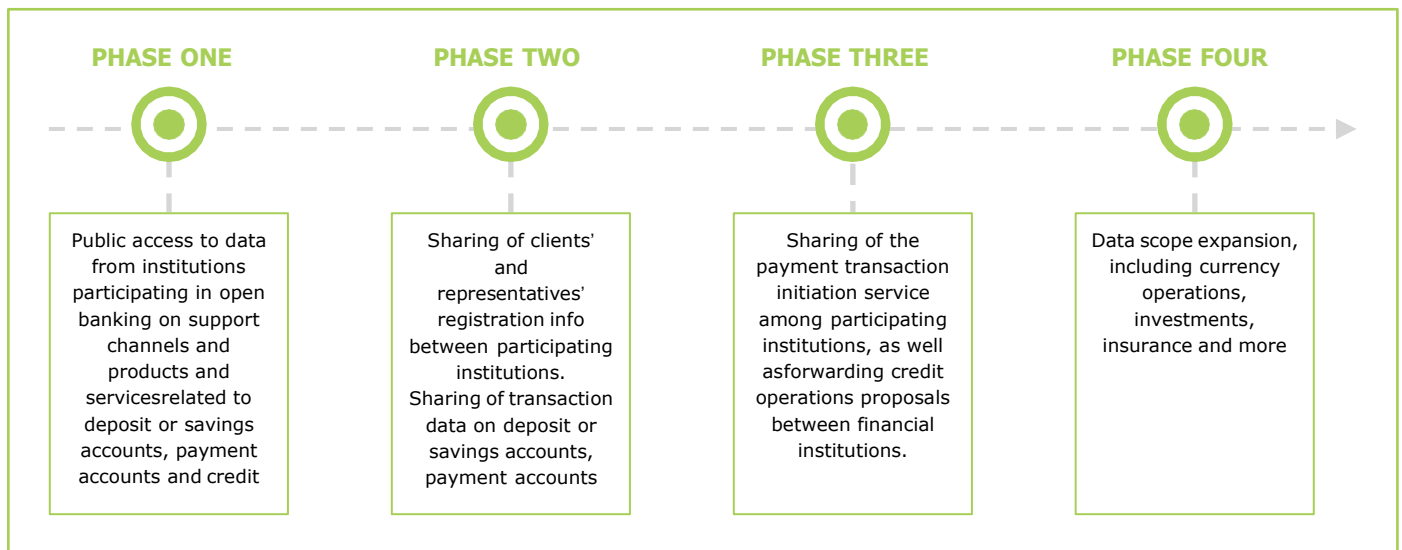
The CDR Rules were finalized in February 2020, requiring that Australia’s big four banks provide APIs for Phase One products by July 2020.²⁵



GLOBAL STATUS: BRAZIL

BRAZIL

Open banking in Brazil was first approved in April 2019 and became effective by regulation in May 2020. The open banking regime in Brazil is to be implemented over four phases¹⁸ from November 2020 to October 2021.



The Central Bank of Brazil will be tasked with establishing the initial structure for the implementation of open banking, participating in the drafting of the convention to meet its open banking objectives, and promoting discussions with participating institutions.



GLOBAL STATUS: | HONG KONG

HONG KONG

The Hong Kong Monetary Authority (HKMA) launched the first phase of its Open Application Programming Interface (Open API) framework in January 2019. The HKMA's latest initiative aims to make it easier for banks to develop and adopt APIs, stimulating innovation and collaboration with technology firms. Leveraging the Regulatory Technical Standards (RTS) for strong customer authentication the framework will enable access to bank generated data, starting with information starting on products and services, and finishing with sharing of transactional information and payments initiation services.

Read/Write APIs

Read functionality was mandated in Phase one and Write functionality will be mandated in Phase four (timeline to be announced).



GLOBAL STATUS: SINGAPORE

SINGAPORE

The Hong Kong Monetary Authority (HKMA) launched the first phase of its Open Application Programming Interface (Open API) framework in January 2019. The HKMA's latest initiative aims to make it easier for banks to develop and adopt APIs, stimulating innovation and collaboration with technology firms. Leveraging the Regulatory Technical Standards (RTS) for strong customer authentication the framework will enable access to bank generated data, starting with information starting on products and services, and finishing with sharing of transactional information and payments initiation services.

Read/Write APIs

Read functionality and Write functionality was enabled in late 2018 through the API Exchange (APEX).



GLOBAL STATUS: US

US

Currently there is no date for the launch of open banking in the US; however, various market participants—including regulators, trade associations, financial institutions and data aggregators—are publishing standards and perspectives on a potential data: sharing model across the industry. Today, there are a number of banks already participating in API regimes (e.g. Plaid) and Citi Bank has created an Open API for verified third-parties that leverage Read/Write functionality.



DEPLOYMENT: EU

EUROPEAN UNION

The EU made open banking available to all accredited parties simultaneously, as opposed to the staged deployment models used in the UK and Australia.

According to the Head of Conduct, Payments and Consumers at the EBA, there are early indications that some objectives of the Open Banking Directive are materializing. This includes:

- Enhancing competition
- Facilitating innovation
- Improving payments security
- Reducing fraud
- Improving customer convenience
- Contributing to a single EU payments market

For example, there are now more than 400 legal entities authorized to provide account information or payment initiation services in the EU in terms of competition. In terms of assessing other objectives, it is too soon. For example, the degree of payment fraud requires consistent fraud reporting data to measure success accurately.

BENEFITS TO DATE : PAYMENTS

Open banking in the EU brings varied benefits to different types of actors in the payments system. While incumbent banks will retain the advantage of consumer trust, their legacy computer systems may not be able to deliver the user experience offered by new entrants in the market. As a result, some banks are already partnering with payment apps to provide the breadth of modern retail banking services.





DEPLOYMENT: UK

UNITED KINGDOM

The UK's open banking framework focuses only on the Competition and Markets Authority 9 (the nine largest banks, referred to as CMA9).

According to OBIE data, there has been rapid growth in customers from the CMA9 using open banking. January 2020 marked one million customers connecting their bank accounts with trusted third parties.

OPEN FINANCE

The concepts underpinning open banking lead to potential future developments in the concept of Open Finance, which would provide consumers with even greater control over their financial data.

COVID-19

Open banking data has informed the UK government's response to COVID-19 by providing accurate and timely insights on the pandemic's effect on the economy, as outlined in the Consumer Outcomes section of this Manifesto.

API CALLS

According to OBIE, the number of API calls in November 2019 was 215.3 million, significantly increasing from 1.9 million in June 2018. As of December 2020, there have been 694 million successful API calls.²⁶ However, concerns still exist about unfair advantages for newcomers into the open banking system in the UK. The UK is now working to address charge backs.

BENEFITS TO DATE : PAYMENTS

Open banking in the EU brings varied benefits to different types of actors in the payments system. While incumbent banks will retain the advantage of consumer trust, their legacy computer systems may not be able to deliver the user experience offered by new entrants in the market. As a result, some banks are already partnering with payment apps to provide the breadth of modern retail banking services.





DEPLOYMENT: AUSTRALIA & BRAZIL

AUSTRALIA

Australia staged its deployment by product type, with data on basic transaction accounts made available first, followed by increasingly complex products.

As open banking has only recently been implemented in Australia, it is too early to definitively discern its economic impact, although predictions have been made based on low consumer fintech adoption. At 58%, consumer fintech adoption in Australia stands below the global average, although there have been reports of significant barriers to accessing funding for fintechs in the country. Today, Australia has 800 fintechs leveraging an open banking framework which is set to grow from \$250 million to over \$4 billion by the end of 2020.

BRAZIL

In February 2021, Brazil began the first of its four phase roll out of its open banking implementation. Led by the Central Bank of Brazil, the first phase will see banks participate in the open banking ecosystem through open APIs. They will deliver the foundations for the market to create business models and services that would make it more convenient for consumers to compare products and services. The second phase set to begin in July 2021, will see authorized and regulated institutions start sharing customer data with their consent. The third phase will begin in August 2021, which will include write functionality. The final phase, estimated to begin in December 2021, is still under discussion between the banks. Conversations are being had regarding whether this phase will see additional customer data shared including foreign exchange services, investments, insurance, and salary accounts.

LESSONS LEARNED

Across all first to market countries there have been lessons learned when analyzing their deployment of an open banking framework. As Canada looks to implement open banking, it will be critical to consider these lessons learned to ensure a successful deployment. These lessons learned include:

- Consumer Education
- Financial Inclusion
- Financial Literacy
- Digital ID
- Amending or extending the consumer consent expiry date (traditionally 90 days)
- Issue of friction
- Bad user experience on mobile



HONG KONG

The HKMA's Open API framework will be a four-phase approach that will open financial services gradually to external parties. Unlike their counterparts in the EU and UK, there are no defined timelines or dates for the four-phase approach.

Phase One : Product and Service information

In the first phase, local banks will publish APIs that will allow third party providers (TPPs) to access information about their products and services. The goals of this phase will be to encourage transparency and allow banking and non-banking parties to develop applications to compare financial products.

Phase Two : Subscription and New Application for Products and Services

Expected in Q3 in 2019, the second phase will focus on opening up APIs for process applications for credit cards, loans and other financial products.

Phase Three : Account Information

Moving into Phase 3, this phase will focus on account information, the ability for TPPs to retrieve account information and other bank products such as bill payment history.

Phase Four : Transactions

Phase 4 will focus on allowing TPPs to process customer requests, such as funds transfers, bill payments, as well as relating to investments and insurance.



DEPLOYMENT: SINGAPORE

SINGAPORE

There are no compulsory open banking requirements in Singapore, but the government supports a number of voluntary initiatives towards an open data framework, including:

- Finance-as-a-Service: API Playbook: published by Monetary Authority of Singapore (MAS) and the Association of Banks in Singapore, the non-binding API Guidelines provide guidance to financial institutions, FinTechs and other entities in developing and adopting API-based system architecture.
- Financial Industry API Register: A list of open APIs available in the Singapore financial industry. Different types of APIs are registered, e.g. Transactional APIs which allow transactional services for payments, funds transfer, settlements etc. and less sensitive APIs such as Product APIs, which provide information on financial product details, rates and branch/ATM locations.
- Fintech Regulatory Sandbox: Allows financial institutions and fintech players to experiment with innovative financial products or services. MAS may provide regulatory support by relaxing its specific legal and regulatory requirements.



DEPLOYMENT: US

US

The US has no existing or pending regulatory or legislative framework in effect for open banking. FinTechs have so far tended to access consumer data in the US by screen-scraping.



OPEN BANKING IN CANADA: A TIME LINE



TIME LINE: AN OVERVIEW

SEPTEMBER 2018

ADVISORY COMMITTEE

The Federal Budget announced the creation of an Advisory Committee on Open Banking to be led by the Department of Finance.

MERITS OF OPEN BANKING

The Advisory Committee launched a public consultation on the 'Merits of Open Banking', assessing the benefits of open banking for Canadian consumers.

JANUARY 2019

JUNE 2019

SENATE OPEN BANKING REPORT

The Senate Banking Committee released an Open Banking report, recommending that the federal government facilitate the development of an industry led, principles based Open Banking Framework.

FRAMEWORK RECOMMENDATION

The Advisory Committee recommends the development of a Framework within the next two years.

JANUARY 2020

FALL 2020

SECOND CONSULTATIONS

Five private virtual stakeholder consultations to solicit feedback on the proposed model were held November-December 2021.

FINAL CONSULTATION

The third and final consultation, which has not been officially announced, is expected to focus on operationalizing and implementing the CDF Framework.

WINTER 2021 (estimated)

2022 (estimated)

IMPLEMENTATION

The final step is implementing the Framework that will be collaboratively developed by industry and government.



TIME LINE: PROGRESS TO DATE

SENATE REPORT ON OPEN BANKING

In the Senate Report on Open Banking in February 2019, the Senate of Canada's Banking, Commerce and Trade Committee (the Senate) began investigating open banking, focusing on benefits for the Canadian consumer and international competitiveness.

In June 2019, the Senate released a report summarizing their findings from the investigation. This report included 10 recommendations for Canada's federal government to consider.

Significantly, the Senate also recommended that the federal government facilitate the development of an industry-led, principles-based Open Banking Framework (Framework) to be integrated with the existing financial sector and privacy legislation. This Framework should identify:

1. The scope of data that would be accessible by financial services providers
2. How the payments sector will be included within the Framework
3. Timelines for implementation
4. The financial services providers that would-be participants

The report also indicated that stakeholders should include:

- Representatives from federally and provincially regulated FIs
- Financial services providers
- Consumer advocacy groups
- Payments Canada
- Any other groups identified as relevant through the process

While the Senate's recommendations are not binding, they are an influential body whose guidance and opinions on any matter would be seriously considered by the federal government.



TIME LINE: PROGRESS TO DATE

THE FIRST CONSULTATION

In January 2020, Canada's former Minister of Finance, the Honourable Bill Morneau, released the Advisory Committee's findings from the 'Merits of Open Banking' consultation. The Committee determined that open banking has benefits for Canada and Canadian consumers. They also suggested that the term Open Banking be replaced with Consumer Directed Finance (CDF). Further, they recommended:

1. The development of a framework
2. An ambitious timeline of two years for implementation
3. A second consultation to focus on data security (completed November-December 2020)

SUMMARY OF KEY FINDINGS

ARE THERE MEANINGFUL BENEFITS FOR CANADIANS?



The benefits for Canadians were evident, focusing on three areas:

- A. Canadian consumers will benefit from being able to **access innovative products** which better help them manage their finances
- B. Open banking promotes competition which will lead to better pricing and service for Canadians
- C. Canadian consumers are currently using methods that are not secure to share data, such as screen-scraping. Open banking will allow them to share data securely in a standardized format.

HOW SHOULD RISKS RELATED TO CONSUMER PROTECTION, PRIVACY, CYBER SECURITY AND FINANCIAL STABILITY BE MANAGED?



The Committee recognized that open banking will **improve consumer protection & security** provided the following key elements are put in place:

- A. A strong digital ID framework
- B. An accreditation framework with strict consent processes
- C. Financial inclusion measures

These topics of security, privacy and stability are to be the focus of the next round of consultations.

WHAT ROLE AND STEPS ARE NEEDED FOR THE FEDERAL GOVERNMENT IN THE IMPLEMENTATION OF A CONSUMER-DIRECTED FINANCE FRAMEWORK?



The Committee was very clear in their view that **government must work closely with industry** while developing the Framework, stating:

"Given that consumer-directed finance is a market-led phenomenon, coupled with a strong history of collaboration between actors in the financial services sector and the government, we concur that industry and government must come together to determine how to enable consumer-directed finance."



TIME LINE: PROGRESS TO DATE

THE SECOND CONSULTATION

The second consultation was initially slated for Spring 2020. However, it was delayed following the COVID-19 pandemic and a change in Finance Minister. Despite these setbacks, The Department of Finance ('Finance') recognized that COVID-19 expedited the ongoing digitization of many industries, including the financial sector. This recognition further underscored the urgency to create secure and structured frameworks for consumers to share their data. Given that urgency, Finance launched the second phase of consultations in late November and early December 2020. Recognizing the need to act quickly, Finance has developed a set of proposals which, compiled together, outline a Canadian Open Banking Model ('Model').

At the request of Finance, the firm Price Waterhouse Cooper (PwC) hosted five private virtual stakeholder consultations to solicit feedback on the proposed model.

Following regular dialogue with key government stakeholders, OBIC secured invitations to all five private workshops, where we represented the interests and perspectives of key industry stakeholders that are passionate about bringing open banking to Canada for the benefit of the consumer.

SECOND CONSULTATION KEY DATES	
NOVEMBER 30:	BUILDING BLOCKS
DECEMBER 4:	SCOPE
DECEMBER 10:	GOVERNANCE
DECEMBER 14:	RULES OF THE SYSTEM
DECEMBER 17:	OPEN ENDED

Finance's Open Banking Advisory Committee will now prepare and deliver its final recommendations to the Minister of Finance, who, alongside industry, will develop a path to implementation with a target of 2021 or 2022.



TIME LINE: PROGRESS TO DATE

OBIC MANIFESTO 2021 OBICANADA.CA.



TIME LINE: PROGRESS TO DATE

THE THIRD CONSULTATION

The third and final consultation, which has not yet been officially announced, is expected to focus on operationalizing and implementing the Framework. This would include detailed timelines, requirements and responsibilities for all stakeholders.

Given the ambitious implementation timeline (less than two years) provided by the Department of Finance in January 2020, it is expected this consultation will follow the completion of the second consultation fairly rapidly.

FRAMEWORK IMPLEMENTATION

The final step will be implementing the Framework. This will be developed collaboratively by industry and government. Based on the timeline proposed by the Department of Finance, this was originally expected to be early 2021 or 2022. While it is understandable that the COVID-19 pandemic pushed the government's timeline back, it is imperative that Canada re-establishes momentum to ensure Canadian consumers aren't left behind.





RECOMMENDATIONS



RECOMMENDATIONS: REGULATORY

1. LEVERAGE OTHER JURISDICTIONS

It is recommended that the Government of Canada should ensure that a detailed analysis of the development and implementation of open banking in other jurisdictions is conducted. Juxtapose that analysis with the country's current realities and identify the lessons learned with a view to implementing open banking in Canada.

2. REGULATORY CHANGES

The existing regulatory landscape and the market should be closely monitored to determine gaps or potential inconsistencies in the laws. In particular, the following, amongst others, should be considered:

- a. Federal and provincial governments should ensure that privacy laws across provinces reflect the changing realities of the proposed digital economy.
- b. The Personal Information Protection and Electronic Documents Act (PIPEDA) and other privacy legislation should be reformed to align with global privacy standards, including the EU's General Data Protection Regulations and the principle of Transparency, Portability and Interoperability in line with the Canada Digital Charter.
- c. The proposed "Digital Charter Implementation Act, 2020 (DCIA)" (Government Bill C-11) specifically recognizes the need for significant increase in protection to Canadians' personal information by giving Canadians more control and greater transparency in consideration of how companies handle their personal information. The controls include critical principles such as meaningful consent, data mobility, disposal of personal information, withdrawal of consent, and the concept of "algorithmic transparency". The proposed legislation will also allow Canada to keep pace with other jurisdictions such as the European Union and the United States and support innovation while maintaining trust and privacy by simplifying consent and allowing for greater sharing of data - all fundamental elements needed to support Open Banking.
- d. Legislation, which will grant fintechs, patytechs and other accredited providers the authority to operate within the open banking space and create innovative products in the financial services sector, must be considered and introduced.
- e. A robust regulatory model for digital identity should be put in place.
- f. Customer experience guidelines should be developed as a set of common standards to drive experience consistency, resulting in trust and broader usage. As a general rule, it is recommended that the regulations or standards are not overly restrictive and flexible and adaptable to avoid stifling innovation.

3. ADEQUATE ECOSYSTEM

The government should seek to create an ecosystem in which all participants and stakeholders (consumers, FIs, fintechs and regulators) can thrive to ensure a successful implementation of open banking in Canada.



RECOMMENDATIONS: TECHNOLOGY

1. EXPANSION OF INTERNET BROADBAND ACCESSIBILITY

Ensuring access to affordable high-speed internet broadband is critical to the success of open banking in Canada and will create new opportunities for Canadians from coast to coast to coast. This is particularly important for rural communities in Canada who have identified the internet connectivity gap as the number one issue hindering their economic growth.²⁷ While the Connect to Innovate program and the High-Speed Access for All (Canada's Connectivity Strategy), and other government efforts have been helpful, much more needs to be done to ensure inclusive access. Additional action is required to drive investments in connectivity, encourage public-private partnerships, and generally expand the network infrastructure to meet open banking's technological innovation.

2. OPERATIONAL AND SECURITY SPECIFICATIONS

A robust security profile should be adopted which covers the identification and accreditation of participants, participants' safety, consent, authorization and execution. To ensure the implementation of the security framework by financial institutions, it is recommended that an adequate security certification suite should be developed.

3. DEPLOYMENT OF A NATIONAL OPEN BANKING SYSTEM

It is imperative that the Canadian Government allows enough time for existing financial service entities (including large incumbent banks) to practicably ensure compliance of their processes, procedures and policies with the requirements of open banking. This is important to ensure that consumer data is not compromised or exposed to breaches. It is also important to ensure that new market entrants will have the opportunity to build strong technology safeguards to protect consumer data, and to compete as equal contenders alongside incumbent banks.

4. OPEN BANKING DIRECTORY

This is required to render supporting verification and authentication of all participants (such as banks, payment companies and regulated third-party providers). To the extent that this is in place, there would be a monitored and more transparent view for all participants, fostering trust in the sector.

5. ONBOARDING

A bespoke, secure and customer-centric onboarding process that can be trusted is needed for adequate identity verification of TPPs, including fintechs and payment companies. This will provide comfort to banks, further position banks as reliable advisors, improve credibility and customer data security in the hands of TPPs and significantly increase the trust in the entire system.

6. CERTIFICATION PROGRAMS

Certification programs should be in place to ensure a consistent standard of implementation and lower cost of entry. This would also help build a more extensive reach across Canada, foster foreign direct investment in the economy and enable the creation of innovative products and services within open banking.



RECOMMENDATIONS: STAKEHOLDERS

1. COLLABORATION AMONG PROVINCES

It is recommended that all provinces work together as much as possible. This will be beneficial to fintechs and other TPPs that would likely be operating and engaging with consumers across the country. It will be cumbersome for participants to be subjected to varying standards and approvals exclusive to different provinces. Holistic standards applicable to all provinces are recommended for ease of implementation.

2. STAKEHOLDER COLLABORATION

Collaboration among regulated players (financial institutions, industry incumbents and other financial intermediary platforms) is needed to ensure healthy competition and safe, secure and adequate data-sharing. This will result in the ease of implementation of open banking.

3. INNOVATIVE INCLUSION OF FINTECHS

There is a massive global opportunity to be harnessed from the inclusion of fintechs, paytechs and other accredited providers of financial services, in the open banking ecosystem. To capture this, the government should create an environment that would motivate all accredited providers of financial services in consumer support programs, development of open banking products and other initiatives in the financial services sector. This will spur innovation, ensure Canadians have informed choices and are allowed access to the best services available to them. This will, in turn, result in economic growth across provinces.

4. DISPUTE RESOLUTION

It is recommended that a trusted mechanism is in place to ensure dispute resolution and management between consumers, banks, fintechs and other open banking participants. An adequate dispute resolution mechanism will also foster secure information exchange and cooperation amongst participants.



RECOMMENDATIONS: INSIGHT & OVERSIGHT

1. GOVERNANCE

The designation of a regulatory authority with oversight over open banking in Canada is crucial. This body will be expected to facilitate the implementation of open banking in Canada, liaise with the participants, set out regulatory requirements for participation and provide updates regarding compliance of financial institutions and fintechs, amongst others.

2. CONTINUOUS VIABILITY/EFFECTIVENESS MEASUREMENT AND TRANSPARENCY

Following a successful launch of the open banking initiative in Canada, it is recommended that continuous oversight as to its impact is measured rigorously and robustly. This includes continued viability/scalability/externality testing of the open banking program generally, as well as transparent feedback at critical points of the development of the initiative. By clearly communicating success metrics and the variables responsible for growth, confidence will be built with stakeholders and industry participants, and their buy-in can be maintained. This will also include assessment and potential mitigation of unintended externalities in order to iterate and scale appropriately.²⁸

3. TASK FORCE/ADVISORY COMMITTEE FROM BEHAVIOURAL SCIENCE/FINANCE

With the growing insight being gleaned from behavioural science research and its application to finance, it is critical to maintaining consistent analysis from experts within this field. By establishing a Behavioural Finance task force for open banking in Canada, we will better understand financial behaviours, attitudes, drivers and better be able to help shape the tools and approaches to improve financial outcomes for Canadians.²⁸

4. CONSUMER ADVOCACY AND AWARENESS

Consumers need to be adequately educated about open banking and its potential benefits to building trust in the system. Active communication is required to ensure that information is appropriately disseminated. This may be through messaging, one-on-one interaction with financial institutions or examining case studies.



OBIC ACTION PLAN



ACTION PLAN: OVERVIEW





ACTION PLAN: PHASE ONE

PHASE ONE: ASSEMBLE AND AWARENESS

The initial phase of Assemble and Awareness is focused around OBIC as Canada's collaboration point for individuals, companies and organizations who understand the importance of open banking and wish to assist in the movement. In this phase, we are assembling voices, influence, technology and partners to bring awareness to the value of open banking in the Canadian economy.

1. OPEN BANKING MANIFESTO

The OBIC Manifesto is a published declaration of our organization's vision of the Canadian financial system operating in the manner of open finance, starting with the foundational elements of open banking. The results of this initiative will be better economic outcomes for Canadian consumers and businesses, ultimately strengthening the diverse fabric of our Canadian economy.

2. DEFINE AND ASSEMBLE THE ECOSYSTEM

OBIC envisions to assemble the core technology necessary to help the Canadian market correctly implement and advance the concept of open banking. The OBIC ecosystem will initially be comprised of:

- Defined standards for APIs and Security and Consent
- Central directory for validation and authentication of fintech
- Fintech life cycle management and automated onboarding of fintechs to banks
- Standards sandbox with model banks and anonymized data
- Fintech showcase modules for quick development
- Open banking insights and marketing materials to drive education

In the future, we will also support:

- Certification and compliance testing
- API monitoring
- Dispute management
- Government relations materials
- Governance model and policies



ACTION PLAN: PHASE ONE

3. ALIGN WITH TRUSTED STANDARDS BODIES

Standards, such as data and security, are the core building blocks of an open banking ecosystem that fulfill stakeholders trust proposition, which is the confidence to share data securely and the trust in the shared data. OBIC expects to align with current standards bodies that provide a utility for open banking infrastructure in Canada or globally. These bodies include:

- CIO Strategy Council (CIO)
- Standards Council of Canada (SCC)
- OpenID Foundation - Financial-grade API (FAPI)
- Digital Identification and Authentication Council of Canada (DIACC)
- Verifiable Organizations Network (VON)
- National Institute of Standards and Technology (NIST)
- Internet Engineering Task Force (IETF)
- International Standards Organizations (ISO)
- World Wide Web Consortium (W3C)

4. USE CASES DEFINED

Use Cases will be the cornerstone for innovation to flourish in OBIC's environment of open collaboration, leading to financial solutions for some of Canada's most pressing economic challenges. Initiating these Use Cases will create conditions within which our financial industry stakeholders can engage, observe, pivot and shape their existing business models expediting the adoption of a commercial open banking framework for the benefit of all Canadians.



ACTION PLAN: PHASE ONE

ACCOUNT INFORMATION-DRIVEN USE CASES

PERSONAL FINANCIAL MANAGEMENT

Consumers can see all of their accounts in one place, drive insight and prompts for smarter money management.

BUSINESS FINANCIAL MANAGEMENT

Efficient integration of accounts within business and accounting platforms.

ONBOARDING USE CASES

Access information to reduce friction in new customer onboarding journeys or to help deliver better lending/savings offers.

BUSINESS CREDIT PASSPORT

Independent credit information businesses can use when engaging new counter-parties to help develop trust.

ALTERNATIVE METHODS OF ASSESSING CREDIT WORTHINESS

Increased data sharing introduces new avenues of assessing credit worthiness of prospective borrows, improving financial inclusion for those on the financial margins without credit histories and improve the accuracy of financial institutions algorithms when forecasting loan defaults and credit events.

BESPOKE LENDING SOLUTIONS

Based on transactional histories of cash inflows and outflows.



ACTION PLAN: PHASE ONE

PAYMENT INITIATION- DRIVEN USE-CASES

SWEEPING

Easy movement of money between accounts (as part of a money management platform).

CONSUMER TO MERCHANT PAYMENTS

An alternative and secure way of paying through immediate payments rails (bill payment, e-commerce, point of sale and digital wallets).

BUSINESS TO BUSINESS PAYMENTS AND TRANSFERS

An alternative or enhancement to existing invoice payments, electronic funds transfers.

CONSUMER/BUSINESS TO GOVERNMENT PAYMENTS USE CASES

PISP-MANAGED REQUEST TO PAY SERVICE

An enhancement to help payers pay.

IDENTITY-DRIVEN USE CASES

Open banking infrastructure can be used to provide Federated Identity Authentication, Authorization and Verification for Consumers.

IDENTITY ATTRIBUTE VALIDATION

The confirmation of key information to help third parties onboard and validate customers.

ID-AS-A-SERVICE

Leveraging bank verified identity to unlock experiences with other third-party platforms. Addressing data attribution issues that limit the value of data when shared.



ACTION PLAN: PHASE ONE

5. GOVERNMENT ADVOCACY

The idea of open banking often becomes marred in technical jargon, losing the attention from and engagement with government bodies and representatives. OBIC intends to inform key government groups of the benefits of open banking from the perspective of Canadian consumers and small businesses using real-life examples. We believe that this will provide clarity on the tangible value of open banking. It can also be retold and shared by those with the influence that can positively impact the success of open banking in Canada. These groups will be:

- Competition Bureau Canada Officials
- Department of Finance
- Senate Banking Committee
- Business Development Bank of Canada
- Financial Consumer Agency of Canada
- Canada Economic Development for Quebec Regions
- Bank of Canada
- Prosper Canada
- Office of Superintendent of Financial Institutions (OSFI)
- Payments Canada
- Canada Infrastructure Bank
- Canada Mortgage and Housing Corporation
- Provincial regulators

6. PARTNERSHIPS

OBIC has identified several ideal partners to join the initiative OBIC based upon shared values and vision, in conjunction with a contribution of value in which they see the future commercial benefit for participation in the Canadian ecosystem. These include, but are not limited to: financial institutions, fintechs, service providers, consultants, accelerators, Venture Capital companies, individual contributions and others who are professionally or philosophically aligned with our vision.



ACTION PLAN: PHASE ONE

7. WORKING GROUPS

A compilation of working groups that represent key stakeholders in the Canadian financial industry will be initiated. Each of these working groups will be structured with co-leads and supporting group members. These working groups will represent the voice and be the conduit of their domain expertise and networks, ensuring that the idea of open banking in Canada is given form and shape relevant to the market segment that the group represents. These working groups will span:

- Consumers
- Fintechs
- Regulatory
- Government
- Banking
- Academia

8. SUSTAINABLE FINANCIAL MODEL

Developing and implementing a sustainable model upon which OBIC can remain an agnostic keeper of Canada's open banking system is of paramount importance. OBIC will depend upon membership, sponsorship, government and revenue from technology and service providers for funding during the initial phases.

9. ADVOCACY GROUP ALIGNMENT

Establishing relationships of value between domestic and international groups that represent an aligned perspective with OBIC will ensure that greater volume is given to the key messages of OBIC. These advocacy groups range from consumer groups to banking associations. A driving force of this effort will focus on the development of a mandate to establish a balanced approach to banking disputes, moving the dispute resolution process into a non-profit entity.

Groups that could assist in the development of such a mandate would include:

- Consumers Council of Canada
- Canadian Foundation for Advancement of Investor Rights
- Canadian Bankers Association (CBA)
- Canadian Lenders Association (CLA)
- Payments Canada
- PayTech of Canada
- Canadian Prepaid Provider Organization (CPPO)



ACTION PLAN: PHASE TWO

PHASE TWO: ENABLE, ACCELERATE AND ADAPT

1. ACTIVATE OBIC'S SYSTEM

With the initial phase completed, OBIC will activate the ecosystem with a series of events and activities. OBIC intends to host a high-profile event, attended by central figures in open banking to “flip the switch” on the OBIC trust framework and ecosystem. This stage will help the Canadian ecosystem better align to catch up with other markets and advance the thinking of banking innovation with an overachieving goal of leapfrogging global markets. We feel that Canada has an opportunity to become a leader in international banking if we begin to truly focus on open banking now to drive innovation.

2. DEMONSTRATE THE VALUE OF OPEN BANKING

With the activation of the ecosystem, OBIC and our partners will be positioned to demonstrate the value of open banking to the financial industry, government and regulators, and Canadian consumers and small businesses. The primary objective of Phase Two is the demonstration of value. OBIC understands the significance of a live feedback environment for our financial industry. This will ultimately accelerate the adoption of open banking for the benefit of all Canadians.

3. ONBOARD, ENABLE, EDUCATE AND CERTIFY

With the trust framework in place, OBIC will seek to onboard, educate and prepare domestic fintechs and financial institutions for the advent of open banking. A clearly controlled and auditable process of onboarding and the provision of support is a crucial prerequisite for the success of open banking. This ensures that only authorized or registered participants gain access to the OBIC ecosystem and that this “trust and identity” is guaranteed on an ongoing basis. By demonstrating and educating industry stakeholders on the benefits that a trust framework, accreditation and identity access management platform provides to the overall OBIC ecosystem, we will enhance the adoption rate of a single technical standard by participants. This, in concert with technology and experience certification programs offered by OBIC, will ensure that standards are adhered to by all connected and trusted ecosystem participants.



ACTION PLAN: PHASE TWO

4. GOVERNMENTAL AGENCY AND ADVOCACY GROUP ENGAGEMENT

OBIC will participate in relevant government consultations, establishing itself as a trusted thought leader in the space that the government can look to for insights and guidance. This work will highlight to governmental agencies and other advocacy groups the value of aligning with OBIC in this phase and ensuring that their services and products become part of the overall trust framework's fabric. Besides, some of these groups are responsible for oversight and governance in one particular area or another. They can begin to understand the value of a trust framework and the new perspectives provided. From this vantage point, these groups will gain the most value and adopt the concept of open banking into their existing business models.

5. OPEN FINANCE CHALLENGE COMPETITION

Competition is driven by change, with a primary objective of engaging the Canadian financial market in shaping the immediate future of open banking in Canada. Funded by private industry and government, the sequenced investment will be allocated towards identified financial innovation, policy and regulatory gaps. These competitive industry efforts will accelerate the commercialization of open banking and provide better financial outcomes for Canadian consumers and businesses while improving the Canadian economy and enriching our culture.

6. INTERACTIVE AND ITERATIVE FEEDBACK

Leveraging the working groups, as well as their networks, we will execute a series of stream-specific virtual "Town Hall" events to share the findings from the activities and subsequent results of this phase. With transparency, all engaged stakeholders will have an opportunity to engage and shape the actions required so that the trust framework can be further refined, driving towards an acceptable vibrant commercial framework.



ACTION PLAN: PHASE THREE

PHASE THREE: MONITOR AND REFINE

1. DEFINE AND ASSEMBLE AN ACCREDITATION AND IMPLEMENTATION ENTITIES

An accreditation and implementation entities are entities that are agnostic in the objectives of the ecosystem's participants yet maintains that the currency of "trust" is nurtured within the open banking framework. With this as the ethos of the accreditation and implementation entities, oversight and governance can be established in terms of:

- Governance structure and responsibilities
- Sustainable funding model
- Monitoring architecture and process for this oversight and governance

2. DEFINE AND ASSEMBLE A CENTRAL ACCREDITATION AND IMPLEMENTATION ENTITIES

As each working group will have a focus on a designated stream of innovation, regulation or standard, it will be their responsibility to make recommendations for refinements based upon key findings accelerating the drive towards a commercialization model.

3. GOVERNMENTAL AGENCY AND ADVOCACY GROUP ENGAGEMENT

The ongoing engagement of those governmental agencies and advocacy groups contributing to the commercial model of open banking will be of paramount importance as the project closes in on the fourth phase. Ensuring that these engaged groups can help shape and refine their particular area of interest will support the ecosystem's commercial launch.



ACTION PLAN: PHASE FOUR

PHASE FOUR: COMMERCIALIZE

1. LAUNCH AN ACCREDITATION AND IMPLEMENTATION ENTITY

With the accreditation and implementation entity in place, market participants can now seek to engage in commercial activities with a regulatory and standards framework. With an accreditation and implementation entity, standards can be mandated, and new ecosystem capabilities can be commercialized for all participants driving innovation and growth.

2. PHASED PUBLIC RELEASE

With the open banking foundation substantiated by participating Canadian stakeholders, the identified and validated use cases will now be sequenced for commercialization in phases of priority. Following a public release of the ecosystem, others will now be empowered and enabled to participate with confidence in an industry-designed and validated open banking environment under the accreditation and implementation entities watchful eye.

3. ACCREDITATION AND IMPLEMENTATION ENTITY-LED PUBLIC CONSULTATIONS

The accreditation and implementation entity will now lead public consultations as the open banking ecosystem will have demands upon it to evolve. By providing a corresponding roadmap to agreed-upon initiatives of the market that support the trust framework's continued evolution, the accreditation and implementation entity will ensure ecosystem viability and alignment-based upon open finance principles.



OPEN BANKING OUTCOMES



OUTCOME: CONSUMERS

BENEFITS OF OPEN BANKING FOR CONSUMERS



- Increased choice and simplicity in selecting products (i.e. mortgages) from a number of FIs by providing anonymized access to financial data.
- Ability to move funds between accounts between different FIs as easy as is now between accounts in the same bank.
- Reduce the need to switch, wholly or partially, to another FI if it is favourable to open a product from another FI while keeping current accounts in an existing financial institution.
- Pay lower fees due to increased transparency and reduced friction.
- Integral tracking of financial habits using information from all accounts held at different FIs.
- Ability to utilize personal fintech services (automated payments, budget tracking) in order to improve consumers' financial literacy and awareness.



OUTCOME: SMALL BUSINESS

BENEFITS OF OPEN BANKING FOR SMALL BUSINESS



- Real intelligence from small business owners' data can give them control, reduce financial stress and simplify consuming administrative tasks.
- Enhanced ownership of data, offering more control and choice to build a suite of financial products tailored to business needs that power productivity and success.
- Increased access to the innovative tools they need to grow in a digital age.
- Collaborative open banking initiatives can streamline small business banking processes, such as financing, account management. etc.
- More efficient business workflows that will be better automated, such as payables, receivables, year-end, audit, etc.



OUTCOME: FINANCIAL INSTITUTIONS

BENEFITS OF OPEN BANKING FOR FINANCIAL INSTITUTES



- Develop partnerships that bring together innovative banking services.
- Obtain new customers that will no longer be reluctant to pay high switching costs or go through structural barriers.
- Increased customer-focused strategy.
- New strategic positioning as financial services platforms.
- Increased customer lifetime value from new deposit accounts.
- Enable alternative to cards, payment and long-term cost saving due to reduced transaction fees.
- Insights to transactions at early stages to enhance Anti-Money Laundering (AML) efforts.
- Reduction in fraud-related to payments.
- New API models can offer the ability to obtain enriched data from fintechs to gather deeper insights into consumer habits.



OUTCOME: FINTECHS, PAYTECHS & OTHERS

BENEFITS OF OPEN BANKING FOR FINTECHS



- Ability to offer new products and services that are highly tailored to consumers based on access to actual data.
- Opportunity to pioneer an essential path to innovation in the financial services industry and beyond.
- Significantly reduced barriers into profitable market segments typically safeguarded by large banks.
- Enhanced ability to attract and retain talent domestically and globally.
- Ability to grow and scale business operations more rapidly.
- Increased market competition will lead to the development of export-ready, world-class products.
- Opportunity to create high-adoption services that are agile, intuitive and deliver a broader range of financial products to a wider range of consumers, playing a key role in the democratization of financial services.



OUTCOME: CANADA

BENEFITS OF OPEN BANKING FOR CANADA



- Develop and sustain a more competitive financial ecosystem for the country and its citizens.
- Foster innovation and entrepreneurship.
- Positive impact on government policymaking and implementation.
- Attract and retain fintech talent domestically and globally.
- Protect the financially vulnerable and promote the financial health and well-being of Canadians.
- Strengthen the viability of the financial, small-business and other economic sectors.
- Increases the potential for Canada to be a global leader in fintech innovation.



CONCLUDING REMARKS



CONCLUDING REMARKS

OBIC has mobilized and organized in a manner that intuitively lends itself to working together with all ecosystem players and stakeholders to drive open banking forward in Canada for the benefit of consumers.

This collaborative approach will:

- Help Canadian consumers have better choices for their financial services as well as help them save for their future
- Allow fintechs to have better ability to succeed in the Canadian market and expand globally
- Advance Canadian financial services market competition
- Enable new partnerships and innovation within the financial services market
- Drive insights that will help define new regulation for the Canadian market
- Create and facilitate an ongoing open discussion between the open banking ecosystem and the Canadian government

We are looking forward to connecting with companies, firms, organizations, government departments and media to work together to enable innovation and Canadian market growth through open banking.

Thank you in advance for your questions and engagement.

OBIC Board Members and Working Group Representatives







INSIGHTS FROM SECOND CONSULTATION

OBIC was invited to attend all sessions of the recent second Open Banking Consultation with the Department of Finance (Canada) on November 30, December 4, December 10, December 14 and December 17 2020. Below we share a summary of the insights we gained from attending these session on the opportunities, challenges, and additional consumer-directed perspectives (see Executive Summary for an overview of OBIC's position).

KEY INSIGHT: SCOPE OF DATA AND PARTICIPATION

SCOPE

- It is important to keep in mind the purpose of open banking, which is to ensure consumer welfare and economic growth by providing them with control of their data. Both retail and corporate banking should be part of scope under CDF.
- The scope needs to be broad, not driven by a few use cases and specific data fields. The use cases will evolve, allowing us to shape them around overall financial well-being.
- If consumers generate data, then it should belong to them. They should be able to decide what to do with their data and there should not be monetary barriers imposed for consumers to decide.

LEARNING FROM THE UK AND HOW WE CAN DO BETTER

- Consumer UI/UX experience was not optimal because mobile was not integrated into open banking from the beginning. Smartphones and tablets with 4G/5G make an excellent user experience possible and will result in a faster adoption rate.
- Even after using the same API specification, every bank's sandbox was different. OBIC's position is that sandboxes should reflect cohesiveness within the production systems.
- API SLAs should be required to be defined early in the CDF Operational guidelines.
- In terms of screen scraping vs. direct access, consumers may not differentiate the experience from one app to the other. This may lead to an inconsistent experience and an uneven playing field for third-party apps. It's important to focus on facilitating the connectivity.



INSIGHTS FROM SECOND CONSULTATION

IMPLEMENTATION

- Separation of duties should always be used as a guiding principle in the implementation body to ensure fair and equitable participation from all players.
- Tiered implementation is vital to ensuring that progress is maintained, which means even with open banking in place, we will need screen scraping.



INSIGHTS FROM SECOND CONSULTATION

KEY INSIGHT: SCOPE OF DATA AND PARTICIPATION

- Tiered implementation.
- FIs may focus on keeping the scope of data as limited as possible.
- Scope should work to become increasingly comprehensive.
- Scraping should be allowed as a fallback option, so when data providers cannot play with the connectivity or make issues and data providers ensure the API is robust.
- We need to create market incentives as holders of data will likely resist. What FDATA reported as working well in countries that implemented PSD2 is that data must be made available until the APIs are ready and fit for purpose.
- API SLAs must be defined early in the Consumer Directed Finance (CDF) Operational guidelines.
- SDKs are an essential tool that should be provided to fintechs to enable innovation without dependency on aggregators.

LEARNING FROM THE UK AND HOW WE CAN DO BETTER

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- API SLAs should be required to be defined early in the CDF Operational guidelines.
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INSIGHTS FROM SECOND CONSULTATION

KEY INSIGHT: GOVERNANCE OF THE SYSTEM

- The governance of that standard is extremely critical in order to ensure the consumer is represented at the table. It must also be allowed to evolve and that an implementation entity be in place to ensure that everyone is heard.
- From OBIC's perspective, there is currently no suitable entity that exists that is suited to the purpose created. OBIC's position is that this entity should be guided by the principles of consumer welfare, competition and promoting economic growth. OBIC also believes that the entity should be arm's length with an independent board and be responsible for the oversight of the accreditation process but not be responsible for administering it. One of the responsibilities of the implementation entity would be to monitor the quality of accreditation.
- Proposed principles that should be incorporated into the rulemaking process include:
 1. Rights-based approach and principles need to be informed degrees where rulemaking does not benefit consumers bound by very clearly expressed consumer legislation.
 2. Rulemaking should be open and transparent and always involve public comment
 3. Rules should be consistent with all participants having the same rules applied. For example, an industry-led approach would result in an imbalanced approach.
 4. A forward-looking process that is technology-agnostic and follows consumer needs and demand.
 5. The governance body should have rulemaking authority.
 6. It should not be a membership-led organization where corporate interest is driving the process.
- An industry-led initiative has been problematic, as observed in the Financial Data Exchange (FDX) model as follows:

GOVERNANCE ISSUES

Voting is controlled by a set of players with a standard set of vested commercial interests, which are sometimes at odds with the desired outcomes of CDF. This state of control is not contingent on who joins and participates within FDX. It results from fixed provisions within its corporate documentation, which are opaque to the broader world due to confidentiality restrictions.

PROHIBITIVE FOR FINTECH PARTICIPATION

FDX makes the standard-making process complex and highly bureaucratic. We have seen in the US chapter of FDX that some fintechs were not able to contribute given the complexity, structure and effort required to review hundreds of pages of documentation. In contrast, incumbents have the resources to review and contribute. This is especially prohibitive to small players who, as a consequence, are required to invest an excessive amount of time and personnel if they wish to get involved in any meaningful manner.



INSIGHTS FROM SECOND CONSULTATION

DESIGN INEFFICIENCIES

Although the FDX standard it is still a work in progress, it already features several hard-to-reverse design elements. For instance, it attempts to define use-cases in a premeditated, centralized manner. This inherently constrains innovation because there is simply no way for a central entity to anticipate and keep pace with the market innovation. Further to this, the FDX API architecture is already lagging behind important innovations in the API world that stand to benefit both FIs and third-party fintechs.

FDX does not offer push-API functionalities (or “webhooks”) which allow significant optimization of some fintech use-cases by proactively pushing new data downstream as it is produced.

FDX is not instinctively compatible with newer-generation APIs (notably, query-based graph APIs), which would allow the FIs that have them to benefit from an order of efficiency when sharing consumer-permissioned data.

- It is imperative to have clarity around the principles of participation. In addition, accreditations should be prescriptive. The bigger the entity, the more disciplined and rigorous it must be and accreditation requirements should evolve accordingly.
- Having a single body responsible for both accreditation and governance could become very costly as it involves doing accreditation for hundreds of companies.. To this end, OBIC suggests a self-accreditation model. For example, a SOC audit.
- The fit-for-purpose organization sets the standards and the party seeking accreditation can hire a third-party such as Price Waterhouse Cooper or Deloitte.
- OBIC believes that there should ideally be representation from the consumer community on the implementation body. For example, those representing Aboriginal communities, gig economy, SMEs, etc.



INSIGHTS FROM SECOND CONSULTATION

KEY INSIGHT: RULES OF THE SYSTEM

CONSISTENT EXPERIENCE

- Rules should be consistent, with all participants having the same rules applied. For example, an industry-led approach would lead to imbalance based on who a consumer banks with.
- Core functionality features and workflows that enable the open banking system to function should be included.
- Consumers know themselves and know their data. When they opt to share it, they expect to see it on the other end. Consumer data therefore needs to be real-time, consistent and valid, with a high-quality experience built into the mechanics of delivering that data.
- Offering a consistent engagement experience in terms of how consumers handle consent as well as how information is displayed. This consistency will also help build trust and mitigate phishing scams. Additional safeguards should be privacy-focused. Consumer consent in sharing data should be robust and uniform across different experiences. Consent flows should also look the same so that consumers are not subject to phishing scams.
- Instantly verifiable digital identities on internationally accepted principles would improve efficiency and user experience, allowing all participants to have an even playing field. It also provides security and reduces fraud.

REDUCING BARRIERS

- The more barriers erected to accessing information or authentication, the less likely it is that an effective open banking ecosystem will be created for market players. It will also be more detrimental to consumers.
- Excessive authentication requirements will impede the consumers data right and user experience.



INSIGHTS FROM SECOND CONSULTATION

KEY INSIGHT: OUR RECOMMENDATIONS FOR FUTURE CONSULTATIONS

WRITE ACCESS

- Write access will enable third-parties to initiate payments on behalf of consumers as per the consent granted for multiple utilities and services. This brings alternative payment methods to existing card payments, boosting competition and investment.
- Without Write access, open banking will not deliver full benefits to consumers. It will also limit fintech innovation to address all marginal use cases which incumbents don't solve.
- It is important to keep in mind the purpose of open banking, which is to ensure consumer welfare and economic growth and that consumers control their data. The scope needs to be comprehensive and broad, not need to be driven by use cases and specific data fields. The use cases will come so we can build cases around overall financial well-being.

DIGITAL ID

- The more barriers erected to accessing information or authentication, the less likely it will be that a universal consent model for financial and other sectors will be created.
- Digital ID serves to ensure that consistent rules apply to all participants.
- An industry-led approach would result in an imbalanced approach based upon who a consumer banks with.
- Core functionality features and workflows that enable the open banking system to function should be included.
- Consumers know themselves and know their data. When they opt to share it, they expect to see it on the other end. Consumer data therefore needs to be real-time, consistent and valid, with a high-quality experience built into the mechanics of delivering that data.
- Offering a consistent engagement experience in terms of how consumers handle consent as well as how information is displayed is crucial. This consistency will also help build trust and mitigate phishing scams.
- Instantly verifiable digital identities on internationally accepted principles would improve efficiency and user experience, allowing all participants to have an even playing field. It also provides security and reduces fraud.



INSIGHTS FROM SECOND CONSULTATION

In addition to the belief that an official Canadian standard for open banking is the prudent approach to ensuring the consumer is consistently represented OBIC believes that it is imperative that a framework of governance be implemented in a manner that is decentralized in nature.

At this time, a suitable entity guided by the principles of consumer welfare, an accelerated path to innovation and promotion of economic growth does not exist. An arm's length body with an independent board can be responsible for the accreditation process but not for administering it. This body would also be responsible for monitoring the quality of the accreditation. With this separation, the likelihood of agency costs would decrease. The alternative is an industry-led initiative, with several issues surfacing pertaining to the FDX model. These issues include:

GOVERNANCE

Voting is controlled by a group with a common set of vested commercial interests, which conflicts with the desired outcomes of consumer-directed finance. This state of control is not contingent on who joins and participates within the FDX. It results from fixed provisions within its corporate documentation, which are opaque to the broader world due to confidentiality restrictions.

PROHIBITIVE FOR FINTECH PARTICIPATION

As discussed throughout the consultations, incumbents can't do everything, and fintechs in lending and digital banking have addressed gaps and needs in the market that are directly benefiting consumers and SMBs during these unprecedented times. FDX makes the standard-making process complex and highly bureaucratic. In the US Chapter of FDX, some fintechs could not contribute given the complexity, structure, and effort required to review hundreds of pages of documentation. In contrast, incumbents have the resources to review and contribute. It has prohibited small players who, as a consequence, are required to invest an excessive amount of time and personnel if they wish to get involved on a material basis. Ultimately, this is not in line with Canada's innovation agenda and may hinder fair and just regulatory certainty.

DESIGN ISSUES

The FDX standard is a work in progress. However, there are already several hard-to-reverse design elements. For instance, it attempts to define use-cases in a premeditated, centralized manner. This inherently constrains innovation because there is no way for a central entity to anticipate. From a granular perspective:

- FDX does not offer push-API functionalities (or "webhooks") which allow significant optimization of some fintech use-cases by proactively pushing new data downstream as it is produced.
- FDX is not instinctively compatible with newer-generation APIs (notably, query-based graph APIs), which would allow the FIs that have them to benefit from an order of efficiency when sharing consumer-permissioned data.



INSIGHTS FROM SECOND CONSULTATION

How might an implementation organization effectively coordinate an accreditation process with the above in mind? OBIC suggests the following considerations:

1. One body should not do both the accreditation and governance as it will be very costly for hundreds of companies.
2. Once the unified standard is set, the party seeking accreditation can hire a third-party for attainment. The seeker of the accreditation can approach several companies that may provide that service, and there would be competition for their business. The limited role of the Canadian OBIE is to set out what those objective standards are and to monitor accordingly.
3. Self-accreditation model, such as a Service Organization Control (SOC) audit, is perceptive by nature.
4. The process should demonstrate an ability to provide a sandbox for participants to showcase their ability to meet Know Your Client (KYC) /Anti-Money Laundering (AML), securities capabilities, etc., before accreditation.
5. Building an optimally designed system for competition makes it possible for fintechs to access the system with the same capabilities as larger players. This helps the funding issue and will promotes fairness to the market.
6. With the implementation entity monitoring the quality of the accreditation bodies, there would be an incentive for them to continually improve or risk harming the accreditation approval license.

The independent body must have a more significant role in governance. If not, large FIs will lean heavily in jurisdictional limitations likely positioning themselves as the governing body and accreditation by agreement and delegated authority from the Department of Finance.





OPEN BANKING AND VENTURE CAPITAL

The COVID-19 pandemic was a huge reality check for many players across the global financial ecosystem. As the pandemic accelerated customer adoption of different technologies and behaviours, economies with an established open banking framework quickly built and delivered innovative and convenient solutions for their consumers. For players in Canada such as VCs, the pandemic emphasized existing roadblocks that limited their ability to provide value to Canadians and contribute to our economic recovery. Today, Canada has the opportunity to become a global leader, providing excellent education, high quality of life, a stable financial ecosystem, and a track record of growing unicorns that can take on the world. The most significant gap that the Canadian ecosystem has today is that we are not optimized for competition.

Now, more than ever before, we must create an environment that supports entrepreneurs and their ideas. An essential element of that environment is ensuring that domestic investment is available to help entrepreneurs in Canada. An open banking framework would help protect investments, creating certainty for investors and a more competitive ecosystem. The creation of thoughtful regulations related to open banking will also play an important role in investors' ability to create wealth, provide an excellent experience for their clients, and ensure that all stakeholders are safe. The reality is, the longer Canada waits to implement an open banking framework, the more opportunities Canadian VCs are missing. Today it takes only a year to build a unicorn, which can be a huge opportunity lost for Canada if we aren't developing our economy and products that would allow us to compete. Continuing to rely on international bodies to better serve our local ecosystems will only slow our ability to learn, build, and create better products. Open banking represents an opportunity for Canada to strengthen its economy, with the UK CMA estimating that open banking will generate direct economic benefits of between £150 million and £250 million per year (C\$260 million to C\$440 million). Based on the insights from the UK, we look forward to additional insights on Canadian financial benefits.²⁷ Most importantly, however, it is that at its core, open banking has the potential to improve the lives of Canadian consumers.





SWOT: CONSUMER BENEFITS & INNOVATION

OUTCOME #1

CONSUMER BENEFITS

Open banking and improved data sharing will allow incumbents and fintechs to develop new and innovative products and services that enable consumers to improve their financial well-being.

Open banking equals more choice, control and security, empowering Canadians with their finances. It places their unique and diverse financial needs as a priority and offers:

- Simple access to personalized financial apps and services
- Complete control over data including passwords, credit scores and transaction
- Information opportunities to be incentivized to share data through monetization or other points of value
- Recognition that they are valued as the life force of the financial services industry
- Confidence and trust in using regulated financial apps and services
- The innovation of speed will increase as data sharing will be standardized

STRENGTH	WEAKNESS	OPPORTUNITIES	THREATS
<p>Canada is one of the world leaders regarding how many of our citizens access the internet from home (94% as of 2018). Of the remaining 6% only 8% of those say there is no service available.</p> <p>Additionally, 71% of seniors (65+) use the internet.</p> <p>Of the 37 million people who live in this country, close to 30 million have mobile internet access.</p>	<p>Canada is lagging behind other developed countries (UK, AUS, EUR, BRAZIL).</p> <p>Consumers in these countries already have or will soon have access to open banking products and services, putting Canadian consumers and small businesses at a disadvantage as compared to others globally who have more financial innovative products, tools and services at their disposal.</p>	<p>Canada has the opportunity to follow proactively and use the lessons learned abroad to rapidly implement open banking, but in a proven and tested manner.</p>	<p>If Canada's progress continues to stall, the country will fall behind the rest of the developed countries.</p> <p>Canadians and businesses may potentially transition to other countries that have made greater progress than Canada, and where they will also have better access to inclusive financial products.</p>
	<p>The government works to preserve the status quo by excluding fintechs from leveraging innovative solutions that currently exist. (For example fintech exclusion from Government COVID-relief programs).</p>	<p>The government can actively include fintechs in its initiatives. This will spur innovation and ensure Canadians are allowed access to the best services available.</p>	<p>The continued exclusion of fintechs is resulting in inefficiencies, unnecessary costs and reliance on suboptimal services.</p>
		<p>Canadians are confident in using technology to support their needs. As open banking brings innovation to the forefront, our citizens have the digital conditioning to adopt new financial services.</p>	<p>Canada may develop a technology framework that may not align with global open banking standards, potentially alienating global fintechs.</p>



SWOT: CONSUMER PROTECTION

OUTCOME #2

CONSUMER PROTECTION

Open banking is a framework for innovation that protects Canadian values and rights, including privacy, human and democratic rights. Within this framework, federal and provincial governments can ensure:

- Privacy laws reflect the changing realities of the digital economy
- Compliance with The Personal Information Protection and Electronic Documents Act (PIPEDA Act)
- Compliance with the Office of the Privacy Commissioner (OPC) as the co-regulatory and enforcement authority
- Strict regulation of fintechs, including the power to impose fines for non-compliance
- A robust model for digital identity is incorporated
- A trusted mechanism is in place for dispute management between consumers, FIS and fintechs.



SWOT: CONSUMER PROTECTION

STRENGTH	WEAKNESS	OPPORTUNITIES	THREATS
<p>Canada has strong Privacy Regulation & Consumer Protection laws and initiatives, including the PIPEDA, Canada's Digital Charter, the revamping OPC and Artificial Intelligence Regulation.</p> <p>The coming Retail Payments Oversight Framework will offer additional protections to consumer-based transactions. All entities will need to comply with consumer protection legislation in each province where they offer services.</p>	<p>The continual evolution of technology that may not have been captured or considered in the existing regulations.</p>	<p>Regulation is strong and leads to high levels of consumer trust and, therefore, adoption.</p>	<p>Overly prescriptive regulations stifle innovation and leave consumers exposed.</p> <p>Potential risks of data misuse, data re-identification or de-anonymization, behavioral targeting and fraud.</p>
	<p>Screen-scraping is already a well-established and broadly used form of sharing financial data.</p>	<p>Phase out screen scraping activities with secure APIs.</p>	<p>Complacency allows screen scraping to continue, leaving consumers and their data exposed.</p> <p>The occurrence of a data breach permanently damages consumer trust.</p> <p>Ambiguity or threats of data leaks prevents investments and deters consumer participation.</p>



SWOT: FINANCIAL

OUTCOME #3

FINANCIAL STABILITY

Experts in key areas of banking, regulation and compliance are a crucial element of the open banking ecosystem in Canada. Ideally, they will work together with governments, financial institutions and fintechs to establish and maintain:

- A legal framework that puts privacy issues related to consent, transparency and accountability at the forefront
- A central registry of fintechs permitted to access the open banking technical standard the consumer, bank and fintech dispute management system
- A market-driven regulatory framework that nurtures industry growth while protecting consumers and FIs



SWOT: FINANCIAL

STRENGTH	WEAKNESS	OPPORTUNITIES	THREATS
Canada has a strong and trusted financial sector.	Canadians are highly leveraged.	Innovative tools allow Canadians to improve their financial positions and reduce debt levels.	Past success results in complacency, lack of competition and limits sentiment to move forward. The 2008 financial crisis as an example of this.



SWOT: FINANCIAL

OUTCOME #4

ADOPTION AND INCLUSION

Open banking has the potential to:

- Provide increased access to financial services for those who are underbanked, less financially literate or marginalized individuals and communities
- Offer improved access to credit for traditionally underserved markets, including women and new Canadians
- Support better financial health for traditionally underserved markets through the creation of accessible and innovative products.



SWOT: FINANCIAL

STRENGTH	WEAKNESS	OPPORTUNITIES	THREATS
Accessibility to banking services in Canada is very high. 99% of Canadians 18+ have an account with a financial institution, including 98% of adults in low income households.	<p>There are marginalized individuals and communities in Canada that have no access to credit and experience very low financial inclusion.</p> <p>There are still underserved communities that have no financial institutions available.</p>	<p>Digital-first banks allow consumers from communities without a financial institution to access high-quality services.</p> <p>Open banking has the potential to deliver expanded financial inclusion to consumers and small businesses as well as improved access to credit products and services.</p>	Canadians with low technological or financial literacy may become vulnerable or risk losing access to services if regional financial institutions are shuttered.



SWOT: COMPETITION AND ECONOMIC GROWTH

Open banking is an opportunity for innovative fintechs to build new financial service products and create key partnerships with financial institutions for long-term growth. Benefits of open banking for fintechs include:

- Access to enriched financial data to better understand what drives consumer behaviour, anticipate what people want and empower them with personalized financial apps
- Key collaboration with other regulated players in the financial services industry to remain competitive and relevant opportunity to expand reach nationally and globally
- New financial infrastructure business models for technical service providers (payments, gateways, data and regulation)

Canada's financial institutions are already trusted custodians of banking data, so they are well-positioned to meet customers' changing expectations in an open banking framework. Opportunities for FIs include:

- Monetization of enriched consumer data
- Customer-centred focus to create personalized solutions, extend reach and secure market share
- Dynamic ecosystem of innovative vendors and partner organizations built upon consumer-permissioned data efficiencies that can help reduce operational costs
- New financial models protected by a strong regulatory framework to reduce risks such as fraud and money laundering

STRENGTH	WEAKNESS	OPPORTUNITIES	THREATS
Canada has highly a highly educated workforce, with world-class universities.	Lack of alignment of regulations between provincially and federally related financial institutions.	Canada can potentially become a significant international leader in open banking and financial technology. GDP growth and job creation.	Skilled workers opt to go abroad, which can weaken the industry and therefore negatively impact competition and the Canadian economy.
Many Canadian technology companies are poised and capable to play in the finance sector.	The lack of active inclusion of fintechs in government initiatives.	Canada can leverage the potential in its fintechs to drive economic growth.	Lagging behind international companies working on cutting edge technologies. Fintechs may transition to other regions where they have inclusion.





USE CASE: GLOBAL PANDEMIC

USE CASES OF OPEN BANKING DURING THE GLOBAL PANDEMIC (COVID-19)

The global Coronavirus pandemic and the corresponding lockdowns, business closures, financial uncertainty and physical isolation have not only accelerated the world to accept and adopt digital and virtual means of conducting business, it has also ungated a deluge of need for financial assistance at every level of organizational and individual activity, across many communities, sectors and industries.

In the UK, small and medium-sized enterprises ("SMEs") and individuals are benefiting from the country's existing network of open banking in these circumstances by the unique capabilities the network provides a country's banking system.

With the advent of an inundation of open banking apps that proffer services to facilitate efficient access to loan programs for SMEs and consumers, OBIE launched an Open Banking App Store on June 8, 2020, to help consumers and businesses choose the right app for them. Below are just a few examples illustrating how fintechs that use open banking data are positioned to be agile and adept to meet the immediate needs of SMEs and individuals in emerging environments.

One open banking technology platform, EcoSpend, is offering payment services available free of charge for payments to the National Health Service in order to support frontline workers and providers leading the fight against the Coronavirus pandemic

Using artificial intelligence and open banking data-driven platform, Predictive Black launched a 3-month free trial of their platform that forecasts a company's revenue, costs and cash. SMEs are able to work through and develop responsive scenario planning, in addition to download the output to support any loan applications for which they are eligible. SMEs can quickly access flexible loans, customized to the company's open banking data, through platforms like Iwoca.

Truelayer offers a variety of digital solutions in the wake of the global pandemic (for free), beyond verifying financial need: rapid onboarding and identity validation as legal and contracting flows are less able to identify parties in person, accepting donations for charities, and replacing cashless payments with secure and fast digital alternatives.

To help SME lenders and their existing and prospective borrowers through the pandemic, AccountScore's custom build open banking solution provides lenders a thorough view of an SME's financial situation from their bank statement coupled with the credit focused analysis the service provider creates. AccountScore uses both turnkey implementation and full API integration; provides expedient digital income.



USE CASE: GLOBAL PANDEMIC

identity verification based on data from a consumer's bank account; and provides the necessary information to render SME lenders confident that they are making loans out to verified customers.

For gig workers, untied.io uses open banking and other data to gather information with the main purpose of assisting self-employed workers submit tax returns on time, and for grants to cover their loss of earnings during the pandemic. The application remains free during the crisis for three months to help those who need it.

To assist individuals, OKEO, a London-based credit card company that uses open banking and machine learning to provide access to affordable credit, is leveraging its open banking data to provide access to credit for financially excluded young adults who would otherwise not be able to obtain such financing. The credit is adaptive to an individuals' changing financial circumstances. Tully goes beyond financial relief access to providing customized guidance on financial health.

Ducit.AI launched its debt advice solution, which is a mobile app that allows consumers to consolidate their bank accounts and share their data with organizations of their choice, in order to provide the required financial information to debt advice organizations, in real-time.

Experian allows individuals to share their credit report and transaction data through a secure platform, providing a clear picture of their financial circumstances and commitments in rapid time. Therefore, consumers facing debt problems can access a complete picture of their financial circumstances, including a thorough analysis of income and outstanding credit commitments, in a matter of minutes, "so they are prepared for their first appointment and can start getting help straight away".

Impressively, within 48 hours, a team from UK's fintech community built a working proof of concept that allows self-employed workers in the UK to self-certify their loss of income by connecting their bank account. Although this project has not yet been approved by the UK government, the speed of which it was developed and the fact that it was developed at all, is only made possible due to open banking and the unique capabilities it allows in the country's banking system.



ACRONYMS

ACRONYM

STANDS FOR

AISP	Account Information Service Provider
AML	Anti-Money Laundering
API	Application Programming Interface
CBA	Canadian Bankers Association
CLA	Canadian Lenders Association
CDF	Consumer Directed Finance
CDR	Consumer Data Right
CIO	CIO Strategy Council
CMA	Competition and Markets Authority
CMA9	Competition and Markets Authority 9 (nine largest banks in the UK)
CPPO	Canadian Prepaid Provider Organization
DIACC	Digital Identification and Authentication Council of Canada
EBA	European Banking Authority
FAPI	Financial-grade API
FCA	Financial Conduct Authority
FDX	Financial Data Exchange
EU	European Union
FI	Financial Institution
GDP	Gross Domestic Product
IETF	Internet Engineering Task Force
ISO	International Standards Organizations
KYC	Know Your Client
NIST	National Institute of Standards and Technology
OBE	Open Banking Europe
OBIC	Open Banking Initiative Canada
OBIE	Open Banking Implementation Entity
OFSI	Office of Superintendent of Financial Institutions
OPC	Office of the Privacy Commissioner
PIPEDA	Personal Information Protection and Electronic Documents Act
PISP	Payment Initiation Service Provider
PSD1 / PSD2	Payment Services Directive 1 / Payment Services Directive 2
PwC	Price Waterhouse Cooper
RESP	Retirement Education Savings Plan



ACRONYMS

ACRONYM

STANDS FOR

SCC	Standards Council of Canada
SMEs	Small and Medium-Sized Enterprises
SOC	Service Organization Control
TPP	Third-Party Service Provider
UK	United Kingdom
VC	Venture Capital
VON	Verifiable Organizations Network
W3C	World Wide Web Consortium



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