

## **OFNC Article: Key insights from US Dodd-Frank 1033 that can help Consumer-driven Banking in Canada with acceleration**

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On October 22, 2024, the U.S. Consumer Financial Protection Bureau (CFPB) finalized a rule that will give consumers greater rights, privacy, and security over their personal financial data. The rule requires financial institutions, credit card issuers, and other financial providers to unlock an individual's personal financial data and transfer it to another provider at the consumer's request for free. As Open Finance Network Canada (OFNC), we believe that we may draw essential lessons from the CFPB's 1033 rule to advance Canada's Consumer-Driven Banking Framework.

While Canada has made promising progress in areas including liability, technical standards, and the inclusion of investment accounts, immediate action is necessary to address several important gaps. Accelerating the timeline for Consumer-Driven Banking implementation is critical to maintaining Canada's global competitiveness and maximizing benefits for consumers and businesses. Below, we outline some key recommendations:

- **Define a Clear Timeline:** Canada lacks a defined timeline for open finance legislation and implementation, putting it at risk of lagging behind its international counterparts. Establishing clear milestones will create certainty for stakeholders and ensure that Canada is not left behind in the global open finance ecosystem.
- **Commit to Write-Access:** The absence of a commitment to write-access functionality could limit Canada's progress, leaving it as the only G7 country without full open finance capabilities. Allowing write access would empower consumers with greater financial flexibility, enabling them to initiate payments and manage accounts with more ease.
- **Clarify the Definition of Small Businesses:** Providing a clear definition of small businesses within the open banking framework is essential to ensure they can benefit fully from these capabilities. This distinction will enhance inclusion, benefiting a broader base of consumers and small enterprises. We have highlighted the opportunity of small businesses in our white paper - *Unveiling the Potential: The Benefits of Consumer-Driven Finance for Small Businesses in Canada* - we shared earlier this year.
- **Strengthen the Accreditation Framework:** The current accreditation approach could be restrictive without tiered accreditation, limiting participation for smaller financial technology providers. The U.S. model, with provisions for smaller players, offers a more inclusive approach that Canada could adopt to enable diverse industry participation.

- **Implement an Anti-Evasion Clause:** An anti-evasion clause, similar to that included in U.S. regulations, would ensure that open banking achieves its intended purpose. Such a clause would prevent larger institutions from circumventing the framework, thus maintaining a level playing field and protecting consumers' interests.

### **Advantages of Canada's Existing Approach:**

With the advancements in the U.S., there are several areas that require urgent attention of the regulators & government, but it's critical to acknowledge Canada's strengths in its open banking strategy:

- **Enhanced Liability and Consumer Protection:** Canada's emphasis on liability, with anticipated provisions for dispute resolution, consumer protection, and insurance, will help foster trust among consumers and businesses.
- **Adoption of Specific Technical Standards:** Canada's choice to adopt a clear technical standard for open banking interoperability, unlike the US, reflects a forward-thinking approach. This commitment to a standardized framework will facilitate smoother interactions across providers and enhance user experience.
- **Inclusion of Investment Accounts:** Canada's inclusion of investment accounts, particularly Tax-Free Savings Accounts (TFSA) and Registered Retirement Savings Plans (RRSP), represents a significant benefit for Canadian consumers, offering more comprehensive financial management capabilities.

### **Conclusion**

Canada's open banking journey with its consumer-driven banking initiative is encouraging, but progress must accelerate. By addressing the critical areas of timeline, functionality, small business inclusion, accreditation, and anti-evasion protections, Canada can establish a robust and inclusive financial ecosystem fostering further economic growth. Timely action will ensure that Canada maintains its competitiveness on the global stage and delivers maximum value to its consumers and businesses.