



Fintechs Canada

The Honourable Chrystia Freeland, P.C., M.P.

Deputy Prime Minister and Minister of Finance
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Minister Freeland,

The time is now for the federal government to decide what steps it will take to give Canadians more access to affordable financial services, while protecting their privacy and financial security. Canada began consulting on ways to do this as part of its work on “open banking” — a key facet of “open finance” — more than five years ago. With the consultations and the report of Canada’s open banking lead, Abraham Tachjian, now complete, the federal government is well prepared to commit to a specific and detailed course of action.

In particular, we believe that the government should:

- 1. Eliminate regulatory uncertainty.** The government should release a policy statement, based on Tachjian’s report, to signal the government’s next steps and guide the financial sector. Right now, firms are delaying making investments in more secure and efficient ways to enable Canadians to share their financial information because of the government’s lack of action to date.
- 2. Empower Canadians to meet their financial goals.** In addition to giving Canadians a legally protected data-mobility right, the government should announce it will establish a data-mobility framework that will give Canadians access to more tailored and affordable financial services, while protecting their privacy and financial security. This will align Canada with the European Union, the U.S., and other trading partners.
- 3. Give Canadians consistent protection under the law.** The government should establish an independent oversight body to ensure that financial institutions, credit unions, and financial technology companies are meeting

consistent requirements that prevent them from exploiting Canadians, e.g., misappropriating Canadians' financial information.

We recognize progress will be incremental, which is why we believe the first step should be releasing a policy statement, based on Tachjian's report. To make sure this signal to industry is credible, the federal government should also announce that it will begin the next phase of work, which will include establishing an open banking framework and an independent oversight body.

We are avid supporters of the work the federal government is doing to develop a made-in-Canada "open banking" system that will support Canada ultimately having its own broader open finance framework. Fintechs Canada provides a unified voice for the most innovative financial technology companies in Canada, who collectively serve millions of Canadians on a daily basis.

In the rest of this letter, we talk about why the federal government should do these things.

The world is moving away from market-driven open banking, with the United States as the latest example

Like the United Kingdom, Australia, and much of Europe, the United States has leapt ahead of Canada and is now well on its way to advancing a more robust "open finance" policy and legal framework. Last month, the U.S. Consumer Financial Protection Bureau (CFPB) released its draft "open banking" rule (the "CFPB rule"), which would put Americans in control of their financial information.

In particular, the CFPB rule will:

- Enable the CFPB to supervise the whole open banking system
- Set the scope of data and accounts
- Specify the obligations for data providers and authorized third-parties
- Set the criteria for what constitutes an open banking standard
- Establish realistic, tiered timelines for industry implementation

The intent of the CFPB rule is to undo the mistakes that were originally made.

Before the CFPB began working on its rule, the U.S. approach to open banking was failing because the market wasn't effectively working together. The country's largest banks were trying to enable their customers to share their financial information through an organization they collectively own called Akoya. But it

wasn't working for a range of reasons, including a lack of legal obligations for financial institutions to appropriately handle their customers' financial information, prohibitive pricing, and no service level agreements that ensured data quality and operational availability, among other reasons. As a result, consumers were unable to securely access the financial services they needed to meet their goals, while lacking basic and consistent protections under the law.

The CFPB rule corrects the market's mistakes. The federal government should learn from the mistakes the U.S. made and is now trying to correct, rather than repeating them by directing Canada's largest banks to replicate the Akoya model here.

After years of discussion, Canada's financial sector still isn't fixing the mistake of its own doing

Canadians have never been in control of their financial information. More than two decades ago, banks launched web portals. To launch these, Canada's big banks were using account aggregators, [screen scraping to aggregate all of your banking information into one portal](#). Banks were in control, making decisions about which of your financial information to share, how to share it, and with whom to share it. Now [millions of Canadians](#) are proactively choosing to share their financial information to access more tailored and affordable services, but they are being [blocked by their banks](#).

If the federal government doesn't act, nothing will change and Canadians will continue to be exposed to unnecessary risk. Industry incumbents are [pushing for a particular organization, "a data-exchange company and joint venture of three of Canada's big banks, to become the country's de facto industry-wide technology provider for open banking, operating like a utility."](#) This would amount to a replication of the Akoya model here, while the U.S. is trying to undo it and put itself on a better path to empowering and protecting American consumers.

Though there is a role for industry to play, i.e., operationalizing how Canadians share their financial information, there are roles that must be assumed by the federal government:

- 1. Policy making.** The federal government needs to establish a policy framework for data-sharing in the financial sector. The framework should create obligations for data holders and data recipients, define the scope of data and accounts, set the criteria for what is a standard-setting body, and

clearly allocate liability in the event things go wrong. Data holders should be required to make data accessible to authorized data recipients at a Canadians' request either directly or via the data recipient's data aggregator. This framework can begin as guidance issued by the government or a code of conduct, but the government must commit to making the framework more binding by turning it into legislation and regulation.

- 2. Overseeing policy administration.** The federal government needs to establish a fit-for-purpose independent oversight body and oversee the administration of the policy framework. The independent oversight body's mandate would include oversight of the accreditation of participants, as well as maintenance of a registry of accredited participants. In our view, this is necessary to ensure that federally regulated and non-federally regulated financial services organizations are meeting consistent requirements, resulting in a consistent treatment and handling of Canadians' financial information. We support the creation of a brand new body, but the federal government should consider whether existing regulators can be made fit-for-purpose by modifying their mandates.

The federal government has what it needs to make a responsible and informed decision

Earlier this year, Canada's open banking lead finished working with financial institutions, credit unions, financial technology companies, and consumer groups to answer crucial questions about "made-in-Canada" open banking: the best ways to protect Canadians' privacy, how to allocate liability when things go wrong, what security requirements firms should need to meet, and the process firms will need to undergo in order to be accredited against risk-based criteria.

It's now time for the government to make and communicate its decision about the future. After more than five years of consultation, we believe the federal government can make a responsible and informed decision before the end of the year. The federal government has everything it needs to give Canadians greater access to financial services that help them meet their goals, while protecting their privacy and financial security.

Thank you for the work your government has done to date to get us where we are today. We commend the Department of Finance and open banking lead for their collaborative and transparent approach.

We are eager to make ourselves available to answer any questions you may have about our perspectives.

Sincerely,

Alex Vronces

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