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On Behalf of the Financial Data & Technology Association of North America

before the

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Financial Data and  
Technology Association

## **Introduction**

Chairman Black, Deputy Chair Olsen and members of the Committee, thank you for the opportunity to testify today on behalf of the Financial Data and Technology Association (“FDATA”) of North America, a trade association for which I serve as Executive Director. FDATA North America, which has participated in Finance Canada’s deliberations on Open Banking, is comprised of financial services providers united behind the notion that consumer and small business digital financial data access is both a fundamental right and a market-driven imperative.

We are a regional chapter of FDATA Global, an organization on whose board I serve and which was the driving force for Open Banking in the United Kingdom. FDATA Global and its international chapters continue to provide technical expertise to regulators and policymakers in London, to the European Commission, and to regulatory bodies internationally contemplating many of the same questions you are today.

Our chief concern is how to thoughtfully harness innovation in the fintech ecosystem to help consumers and small businesses improve their financial wellbeing while ensuring that end users and the financial system itself are well protected in a framework that leads to macroeconomic benefit and job creation.

## **UK Example**

To start today, I would like to take a moment to address the global movement toward Open Banking, and specifically any misconception that the UK’s experience indicates there is little consumer demand for such a framework.

Here is what we know:

- More than 200 third party provider (TPP) firms have connected to the UK Open Banking system and another 130 are winding their way through the regulatory process;
- Several banks have created their own TPPs to consume the Open Banking APIs and deliver technology-based services to Open Banking consumers;
- More than 7,500 new customers per day are being added to the Open Banking system via account aggregation; and
- The UK attracted US\$3.3 billion in fintech venture capital investment in 2018.

Only the United States and China attracted more.

Not everything across the pond is perfect, of course. In particular the UK’s Open Banking system has wrestled with complexity, expansion to additional account types, and nearly all stakeholders agree that communication and messaging, both to end users of the system and to the TPPs required to submit to regulatory oversight, should have been more of a focus.

Other markets should review the lessons learned from the UK’s Open Banking deployment to determine how best to implement their own frameworks, but one lesson is clear:

any challenges to implementing Open Banking are far outweighed by the benefits to all stakeholders.

### **Open Banking In Canada**

A well-framed Open Banking regime in Canada will:

- Support financial inclusion and access;
- Provide to the consumer or small business full control and utility over their financial data;
- Reduce costs and burdens associated with switching financial service providers;
- Provide for a well-regulated system that ensures consumer protection;
- Spur innovation and lower fees;
- Provide to regulators and financial institutions significantly more transparency and certainty with regard to third-party service providers; and,
- Ideally, in an interoperable system, provide access for Canadian providers to offer their products and services in other Open Banking markets, spurring new and scaling existing Canadian companies, creating new jobs.

Given the enormous consumer benefits of Open Banking, and the move toward this framework globally, it is urgent that Canada move forward, and move forward quickly. Thoughtful, yet swift implementation of Open Banking will put Canada in a position to compete with services customized to individual customer needs and will yield greater economic opportunity for consumers along the income spectrum. Further, with so many Canadians already having adopted technology-powered tools to help them manage their finances – FDATA North America’s members today provide approximately 3.5 million Canadians with aggregation-powered, technology-based financial tools – a thoughtful approach that further encourages the use of these tools, which balances legal requirements with the ability of the market to innovate over time, will provide for more widespread consumer benefit.

The first critical step toward Open Banking is the assertion of the customer’s legal right to their data. Open Banking can be thought of as the digitized version of bringing a shoebox filled with receipts and bank statements to service providers.

Security principles must, of course, go hand with improved data sharing. Companies that hold, transmit, or provide services based on an end user’s financial data should be regulated and accept liability and security standards to protect data.

To protect consumers, an Open Banking framework must require a third party to obtain explicit consent from a consumer, using disclosures in clear language that can be easily understood. Consumers also must be permitted to opt out of using a service – and sharing their data – at any time.

While different countries have taken different approaches to implementing open banking, lessons from the UK show the benefits that an open banking framework receives from appropriate regulatory oversight. The introduction of an implementation entity can establish a level playing field in which all stakeholders can offer their perspectives regarding policies,

standardization, and security measures for market participants, and which is empowered to, with the consumer experience squarely in mind, resolve areas of disagreement among different stakeholders.

FDATA North America respectfully suggests that Canada's federal government should play a proactive role in a new financial system framework by taking steps that:

- Make clear that consumers have the right to use any data field in Open Banking that is currently available to them through other means;
- Ensure third parties entering the Canadian marketplace register with an appropriate centralized authority to provide oversight of the system;
- Require third parties conform to appropriate certification requirements to gain entry to the system;
- Recognize the need for the system to evolve over time, particularly with regard to the need for screen scraping to continue until all data currently available to the customer through their online or mobile banking application, or through any other means, is made available by financial institutions using a different technology; and,
- Include consistent measuring of outcomes, over time, that are aligned with objectives of ensuring consumer interests such as data ownership, transparency as well as safety, privacy and financial system stability goals.

## **Conclusion**

As you know, not only is Open Banking well on its way in the UK, implementations are underway in many countries, from Australia to India to the United States. In these markets, the technology-powered products and services provided by incumbent financial services and fintech firms are supporting consumers and businesses as they manage and improve their finances.

Canadian consumers are already demanding the same opportunity, and they deserve to receive it.

Thank you very much one again for the invitation to join you today. I look forward to answering any questions you may have.