



Finance Canada Phase One Report Findings & FDATA Positions

Background

On February 11, 2019, FDATA North America [submitted comments](#) to Finance Canada’s Advisory Committee on Open Banking as part of its [first phase](#) of assessing the merits of Open Banking in Canada. Following an extensive consultation period with Canadians, stakeholders, and international jurisdictions, Finance Canada released its [report](#) on January 31, 2020 that outlines the findings and recommendations of the Committee on whether Open Banking will provide benefit to consumers, stakeholders, and the Canadian financial ecosystem. FDATA’s full statement in response to the report is available [here](#).

Finance Canada Report Findings:

The report fully endorses the positions of FDATA North America in advocating for open banking in the financial ecosystem. It is evident that our various engagements with the Department of Finance, Parliament, the Advisory Committee, and other stakeholders throughout the ecosystem drove a decidedly good outcome for our members.

FDATA North America Position: For the sake of consumers, small businesses, and the economy more broadly, the Government of Canada must move forward with an open banking regime.

Finance Canada Report: A consumer-directed financial regime (the term Finance will now be using for open banking) should move forward as it “delivers tools that would support Canadians in improving their financial outcomes, by enabling them to use their information to secure better rates or products; manage their small businesses more easily; and access new tools that help improve their financial health.” Failing to act now to transform the Canadian financial ecosystem will create the risk of falling behind other countries implementing or considering a shift to a consumer-directed financial ecosystem.

FDATA North America Position: A well-designed open banking regime provides the consumer with full control of their financial data.

Finance Canada Report: “A consumer-directed finance model recognizes that consumers should be in control of their information and be able to benefit from the use of it.” Additionally, the consumer should have the ability to “direct their financial institution to share certain types of personal information with service providers of their own choosing,” assuming the provider is properly regulated and accredited. Rules of the road regarding consumer understanding of consent, security, opt-in availability, privacy and liability must be clear.

FDATA North America Position: Credential-based authentication cannot be prohibited until a viable alternative is implemented that provides for, at a minimum, at least as much data access as screen scraping currently affords.

Finance Canada Report: The report found that screen scraping has limitations, including security and liability risks for consumers and financial institutions, and that the pathway for data sharing must be

made more secure and trusted. But, the Committee found that “simply eliminating screen scraping is not the answer,” highlighting the increased demand for data sharing services that utilize screen scraping. Additionally, eliminating screen scraping “would end the possibility of new data-driven financial tools being offered to a broader group of Canadians and would set Canada behind global developments that are digitalizing the financial sector.” A consumer-directed regime will support alternate means, like APIs, that have the appropriate safeguards, established in collaboration with industry and government, that would deliver benefits, be interoperable, and mitigate risks involved in data sharing.

FDATA North America Position: Restricting Canada’s deployment of open banking products will limit innovation, financial access and inclusion, and end user choice. All financial products and services should be considered in scope under an open finance framework.

Finance Canada Report: The Committee found that consumers’ expectations for better control and protection of their financial data is broader than just the banking sector, and that consumer-directed, or open, finance be part of a broad transformation to ensure global competitiveness. A consumer-directed financial ecosystem is “the first step on the continuum toward broader digital transformation within the financial services sector and in the broader economy.”

FDATA North America Position: A well-constructed open banking regime must ensure that disclosures are fully understood by and consent is appropriately collected from consumers and small businesses.

Finance Canada Report: “Consumer-directed finance would rest on a process to establish meaningful, opt-in consent by consumers when they direct their bank to share information with other participants.” Stakeholder input on consent led the Committee to ensure that a consumer-directed financial regime: clearly define what consumers are agreeing to and the implications of consent; provide control over what data can be shared with what party, for what purpose, and for how long; opt-out ability, and; ensure traceability and accountability to consumers.

FDATA North America Position: There is a meaningful role for government to play in the design and deployment of an open finance regime.

Finance Canada Report: The Committee recognizes that “government has an important convening role to play – in bringing together all players in the ecosystem as well as in defining objectives and setting timelines,” and should take the lead in engaging with other sectors to enable a data-driven, open finance economy. Additionally, government should work in tandem with industry to ensure all players are engaged and contribute to developing an open finance framework that puts the consumer first.

FDATA North America Position: Open finance provides the opportunity for an improved liability regime, under which responsibility for making consumers and small businesses whole for losses as a result of fraud is more appropriately distributed across stakeholders.

Finance Canada Report: A consumer-directed finance framework must support approaches whereby all contributors of the ecosystem hold liability and provide redress when issues occur. “While bilateral contracts are one way in which participants can manage their risks, and, are in use today, they can also create barriers to new participants, create risk fragmentation, and prevent scaling consumer-directed finance to a larger system, since participants have to enter into contracts with many different financial institutions.”

FDATA North America Position: The “free for all” approach currently in place, under which financial institutions may block end users’ access to their own financial data, limits consumer and small businesses choice and opportunity, and leaves the end user without control of their own financial data.

Finance Canada Report: The Committee found that a transition to a structured environment under a consumer-directed financial regime, designed with the consumer in mind, could mitigate the risks that exist in the current unstructured environment, including consumer protection, privacy and cybersecurity. “A consumer-directed finance framework, that does not introduce competitive barriers, would provide a more secure and reliable way to enhance and expand services that are already in the market,” and would “require participants to use a more secure form of technology and set rules for how market players must design for and meet requirements for cybersecurity, privacy and consumer protection.” The Committee noted that stakeholders agreed that “minimum standards for participating in consumer-directed finance are required” and that such standards must be clear and transparent.

FDATA North America Position: Consumer-directed finance fosters greater financial inclusion:

Finance Canada Report: A consumer-directed financial ecosystem supports greater financial inclusion through increased access to unbanked and underbanked communities as well as low-to-moderate income communities and rural America. “A successful consumer-directed finance framework should support expanded provision of financial services to underserved individuals and communities and provide low-cost financial tools to these individuals to help understand and improve their finances.”