

FDATA North America Response to Draft RPAA Regulations

Comments to be submitted via Canadian Gazette [online portal](#)

Response to Background Section

The Financial Data and Technology Association of North America (“FDATA North America”) is broadly supportive of the objectives of the draft regulations to implement the Retail Payment Activities Act (“the Act”). Our member companies, which include financial technology firms, customer-permissioned data aggregation platforms, and providers of financial services and tools to Canadian consumers and small and medium enterprises (“SMEs”), have since our inception been united behind the notion that a well-regulated financial services marketplace must balance customer protection on the one hand and innovation on the other. Adoption of these proposed regulations would see as many as 2,500 payment service providers (“PSPs”) overseen under a strong regulatory framework and would, once finalized and implemented, meaningfully advance the modernization of Canada’s financial services marketplace. As both the Department of Finance and the Bank of Canada are well aware, a significant majority of G20 nations have both already adopted regulatory regimes for non-bank PSPs and implemented open finance frameworks.

FDATA North America would respectfully suggest that the implementation of these regulations should facilitate an expedited inclusion into the scope of Canada’s open banking framework of payment use cases. When the Minister of Finance’s Open Banking Advisory Committee released its final report in 2021, it recommended that write access commands, including payment initiation, be contemplated in later iterations of Canada’s open banking system because “the risks associated with these functions as higher.” The Advisory Committee further recommended that “future expansion of the open banking system to include payments should be considered in the context of payment modernization to ensure alignment with that framework.” With a supervisory regime for PSPs in place once these regulations have been finalized, a key component of payment modernization will have been delivered. Moreover, as a result of the delays associated with the delivery of the first phase of open banking, incorporation of payment initiation use cases into Canada’s open banking system would not currently, as the Advisory Committee warned two years ago, “delay the implementation of the system.” FDATA North America therefore encourages the Department of Finance to expedite the inclusion of regulated PSPs into Canada’s open banking framework as quickly as possible.

Response to Objective Section

FDATA North America strongly supports the objectives of the draft regulations and the underlying Act. As the Department of Finance and the Bank of Canada seek to implement the draft regulations, however, we note the absence of a critical component in the implementation plans: end-user education.

One of the essential learnings from the implementations of the second payment services directive in Europe and the United Kingdom’s open banking rollout has been that no responsibility was assigned to educating consumers and SMEs regarding the benefits of these new systems, how to engage with newly regulated entities, and the protections afforded to end users under the

regulations. In the absence of any clear assignment of responsibility for educating consumers and SMEs under the draft regulations, FDATA North America fears we may see in Canada a similar situation to what the UK and European markets saw unfold over the last several years: market stakeholders would develop their own disparate, inconsistent education collateral leading to consumers and SMEs confusion. We therefore would respectfully suggest that the Bank of Canada and/or the Department of Finance develop an end user education plan to be deployed in concert with the implementation of the draft regulations, and that government work with market stakeholders, including PSPs, in an effort to provide consumers and SMEs with consistent information about the benefits and protections afforded to them under the draft regulations.

Response to Implementation, Compliance and Enforcement, and Service Standards Section

FDATA North America appreciates the inclusion in the draft regulations of a clear timeline within which applications submitted by PSPs would be required to be reviewed by the Bank of Canada and the Department Finance. Having experienced regulatory delays in application processing in other jurisdictions' payment modernization and/or open banking frameworks, our members welcome the certainty provided by the regulatory-imposed timelines for consideration of a PSP's application.

Given the diversity of business structures, operations, products, and sizes among the 2,500 PSPs that are likely to submit applications, we would suggest that both the PSP community and the government would benefit from PSPs being afforded the opportunity to review and provide feedback to the actual application that the Bank of Canada and the Department of Finance intend to require PSPs to submit under the draft regulations. In addition to any substantive comments the PSP community may have in response to the draft application itself, providing PSPs with an opportunity to review the application before it is finalized would also assist in assuring that PSPs are prepared to complete and submit applications once the regulations have been fully implemented.