

**Written Submission for the
Pre-Budget Consultations in
Advance of the Upcoming
2025 Federal Budget**

By: FDATA North America



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Summary of Recommendations

Recommendation 1: That the government include language in Budget 2025 to provide for the rapid and well-governed implementation of Canada's open banking system, ensuring that both consumer and small business owners have full access to the benefits of the system and that the growth of Canada's innovation economy is appropriately prioritized.

Recommendation 2: That the government include language in Budget 2025 outlining its approach to open finance, the next logical step after open banking, and the framework needed to truly unlock market innovation and competition to benefit Canadian consumers and businesses.



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Recommendation 1: Fully Harnessing the Power of Open Banking

After more than six years of deliberative, fulsome consultations between government and market stakeholders, Budget 2024 finally enacted in Canada a consumer-driven banking, or open banking, framework. The system delivered by last year's budget, if implemented as conceived, holds the potential to meaningfully increase competition in Canada's financial sector, provide consumers and small businesses with more control over their financial data, and align Canada's financial data regime with those implemented in virtually every other G-7 nation.

The House of Commons' Standing Committee on Finance (FINA) has an important role to play to ensure the government is accountable to the mandate commitments made to Canadians in last year's budget. To that end, we note the robust discussion amongst FINA members during its study earlier this year of Bill C-69 regarding the importance of unambiguously including small business accounts within the scope of the first phase of Canada's open banking system. FINA members also discussed during the study the importance of ensuring that the governing entity tasked with oversight of the system, the Financial Consumer Agency of Canada (FCAC), is both adequately resourced to take on this important role and uniformly and fairly enforces the requirements of the framework in a manner that ensures that third-party financial providers may obtain accreditation and offer their services to end users across the country.

Amidst uncertainty amongst stakeholders in the financial sector as to how broadly the language in Budget 2024 covers small business accounts, Budget 2025 should include clarifying language ensuring that all small business accounts are unequivocally considered within the scope of the first phase of Canada's open banking framework. Such an approach is entirely consistent with the government's stated intentions in delivering open banking in Canada, and would ensure that small businesses, which employ 98 percent of all working Canadians, have the same opportunities to benefit from open banking-enabled tools, products and services as will consumers.

The committee also heard from witnesses during its Budget 2024 study about the critical importance of ensuring that the FCAC is capable of taking on the important role of overseeing Canada's open banking framework, as provided under Bill C-69. To that end, Budget 2025 should ensure that the FCAC is provided sufficient funding to attract civil servants with expertise in financial technology, consumer-permissioned data and open banking, and to educate the ultimate users of the framework: consumers and small businesses. Budget 2025 should also ensure that the FCAC's enforcement of compliance with open banking requirements is uniformly and consistently applied and, critically, scaled in order to facilitate the entrance of small, innovative companies into the marketplace. To accomplish this important outcome, Budget 2025



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should require that the FCAC have “evidentiary support” before bringing an enforcement action for non-compliance forward; stipulate that the FCAC must issue regulations establishing the penalties and process for enforcement, and provide stakeholders with an opportunity to more accessibly appeal FCAC penalties in the event they believe them to be unwarranted. In developing regulations establishing processes and penalties for enforcement in the open finance framework, it is critically important that the FCAC clearly assert the penalties associated with various aspects of non-compliance with the system, and that those penalties be applied on a sliding scale based on the severity of the alleged violation and the size and complexity of the company alleged to have committed the violation. Such an approach would both create more transparency in the governance process and mitigate the risk of smaller entities deciding not to participate in Canada’s open finance system.

Strengthening the governance framework and allocating appropriate resources for it to be effective are significant commitments the government can adopt to ensure open banking is a success in Canada. However, for Canada to fully unlock the future benefits of these reforms, it must also begin considering the subsequent generation of open banking: open finance.

Recommendation 2:

Open finance allows for the ability to access and act on financial data to create personalized customer experiences, drive the pace and scope of innovation, and create deeper industry collaboration. The result is a potentially transformative impact on a wide range of financial products and services for the benefit of consumers and businesses. It would enable more consumers to gain access to a wider range of financial products and services, to have greater control of their data, including information from credit bureaus and utilities, and to develop a stronger relationship with their finances, empowering them to make better financial decisions.

As we have seen with Canada’s open banking experience, changes in financial sector policy take time. The number of interested stakeholders is significant, entrenched interests remain as barriers to change, and outside factors can lead to significant time delays. At this stage, Canada should begin thinking about what its open finance regime will look like, the sequencing of the files it aims to tackle, the appropriate pace to bring in such changes, the budget and people it needs to deliver it, and the overarching vision it seeks to achieve. These are complex, dynamic, and impactful policy decisions, which directly touch almost all Canadians in one way or another. For Canada to get it right, the government must begin outlining its open finance vision as soon as possible. Budget 2025 should formalize this iterative process and stake out a timeline under which additional types of financial accounts will be added to the framework first implemented through Budget 2024. Ultimately, Canada’s open finance system should include *any* financial



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account controlled by a consumer or small business, and facilitate both read and write access to allow for payment use cases to come to market. By putting a stake in the ground and committing to a timeline by which the government intends to deliver this outcome, Budget 2025 would stimulate market-driven progress and holistically harness the power of technology to improve consumers' and small businesses' financial wellbeing.

Conclusion

Budget 2024's delivery of Canada's initial open banking framework marked an important milestone in what has been a long, consultative journey. Budget 2025 should both ensure delivery of open banking in line with the government's and the market's expectations and build on this important progress. The government should ensure that small business accounts are unequivocally made part of the first phase of Canada's open banking regime. It should provide the FCAC, in its role as the governance entity of the system, with the resources and personnel required to perform this important role, and should ensure that enforcement of the system is appropriately tiered so as to encourage – not discourage – innovation in Canada's financial system. Furthermore, to fully unlock the potential benefits of these reforms, Canada must look beyond open banking and consider embracing open finance.

About FDATA North America

FDATA North America's members collectively serve millions of Canadian consumers and small and medium-sized enterprises (SMEs) by providing financial management and accounting tools, digital banking services, access to investment and savings platforms, affordable credit products, and other financial services.

FDATA North America was founded in early 2018 by several firms whose technology-based products and services allow consumers and small businesses to improve their financial wellbeing. We are a regional chapter of FDATA Global, which was the driving force for Open Banking in the United Kingdom, and which continues to provide technical expertise to policymakers and to regulatory bodies internationally that are contemplating, designing, and implementing open finance frameworks.