

OPEN BANKING EXPO

Future of Open Banking in Canada

**SURVEY
RESULTS
2021**

In association with



About Open Banking Expo

Open Banking Expo is a global community of Open Finance executives responsible for digital transformation across the financial services sector. The brand organises face-to-face and virtual events in the UK, North America and Europe, and live debates and webcasts throughout the year. Open Banking Expo hosts an online news resource dedicated to Open Banking and Open Finance. It also publishes Open Banking Expo Magazine, which offers industry analysis, interviews with thought leaders and investigative features on the latest hot topics.

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About EQ Bank

EQ Bank, the digital banking platform launched in 2016 by Equitable Bank (a federally regulated Schedule I bank), provides state-of-the-art digital banking services. The EQ Bank Savings Plus Account reimagines banking by offering an everyday high interest rate plus the flexibility of a chequing account, with unlimited transactions, no everyday banking fees, no minimum balances, fast, cheap and fully transparent international money transfers and more - all from one account. Its Guaranteed Investment Certificates (GICs) also offer Canadians a wide range of options with competitive rates. EQ Bank continually challenges the status quo to bring better banking solutions to Canadians. To learn more, please visit: eqbank.ca



Introduction

ELLIE DUNCAN
Head of Content
Open Banking Expo



Open Banking Expo and EQ Bank are pleased to bring you this report on the future of Open Banking in Canada, the findings of which shed enormous light on the challenges and opportunities that face the industry in delivering an Open Banking roadmap.

The joint survey conducted by Open Banking Expo, in association with EQ Bank, sought to take the temperature of Canada's financial services ecosystem, in the wake of the Final Report from the Government of Canada's Advisory Committee on Open Banking.

Even after publication of the report in August, many in the Canadian ecosystem felt that lots of questions about Open Banking implementation remained unanswered.

Among the questions we asked were whether that report went far enough to move the conversation from hype to prototype, whether Open Banking in Canada needs to be mandated and to consider which sections of the ecosystem stand to gain most if it is.

We wanted to know, can Canada's payments network benefit from Open Banking implementation? And does Bill C-11 need to be taken into consideration in any approach to delivery?

Of course, I would urge you to read on to find out what views and concerns emerged from our joint survey.

Based on what I heard from speakers at this year's Open Banking Expo Canada in November, most of those in the ecosystem want action, rather than further analysis and delay. Former finance minister Bill Morneau set the tone in the opening keynote at the two-day virtual event when he told delegates that Open Banking in Canada is "no longer a question of if or when, but how". In his view, the framework should take the form of an "industry-led solution with appropriate government oversight".

But he also urged industry participants to maintain pressure on the Federal Government, adding, "as I know in politics, nothing is guaranteed until it's delivered".

If anything, what the findings from our survey show is that despite waiting a long time for the report out of Government, the appetite to get Open Banking over the line in Canada is as strong as ever.

Here at Open Banking Expo, we have seen the industry in Canada come together time and again, even when progress has been disappointingly slow.

We hope you find this report as insightful to read as it was to research and write. Our thanks to EQ Bank for their support and input – not only into this report but also into the Open Banking conversation in Canada more widely. ■

Leader Insight

ANDREW MOOR
CEO
EQ Bank



A banker's perspective on Open Banking

Andrew Moor of Equitable Bank is one of the only bank CEOs in Canada to take a stand in support of Open Banking. In this interview, Andrew discusses why he and Equitable Bank are open to Open Banking.

Q: Why do you support Open Banking?

A: As a challenger bank, Equitable's purpose is to challenge the status quo to drive positive change in banking that enriches people's lives. In Open Banking, we have a policy prescription that can help us fulfil our purpose and at the same time inject dynamism into our industry and the economy in a way that will really make a difference to Canadians in all walks of life. As we see it, the standardized and authorized data sharing that will occur in an Open Banking environment will democratize lending, deposit taking and payments for the benefit of Canadians. More fundamentally, it feels only right to us that in a democracy, like Canada, consumers should own rights to their own data.

We're proud to stand behind the cause. Equitable can also do so strategically, since our approach is to do what's right for customers, not own the customer's wallet.

Q: What part is Equitable playing to make sure that Open Banking becomes a reality?

A: Over the past five years, we've added our voice to the debate through submissions to government, mass circulation newspaper editorials and platforms like the Empire Club of Canada. Beyond advocacy, we are walking the walk.

Q: How so?

A: We chose to build our EQ Bank platform as a consumer hub where customers can access our best-in-class products and those of specialized third parties. Our vision led to the formation of partnerships with and equity investments in fintechs, including those within the Portage Funds and Framework universes. Our new EQ Bank international money transfer and US dollar account services developed jointly with Wise are incredibly popular with customers. While this is not Open Banking per se, it does support the thesis that Canadians win with innovative partnerships.

We're now moving our agenda forward under the leadership of an Open Banking team and have an exciting proof of concept in development that will allow EQ Bank customers to gain a 360-degree view of all their accounts across a variety of participating organizations. This ecosystem will eliminate the need to screen scrape and give EQ Bank customers a taste of Open Banking. ➤

Leader Insight_continued

ANDREW MOOR

Q: Open Banking in Canada had a slow start but are you confident it's on the right track?

A: I'm confident that legislators have sound information at hand to create good legislation. In terms of the political will needed to bring this over the finish line, I'm waiting and watching closely to see if the required urgency is there. I also think proponents have to do more to ready the public. There is a certain amount of geekery to the subject and use cases are a great way to make the advantages real for everyone.

Q: What countries might Canada learn from?

A: Australia and the UK because their banking systems have a somewhat similar structure. Australia has four large banks; the UK has nine compared to the six that dominate the Canadian banking landscape. Australia has by far taken the most aggressive approach. It passed consumer data rights legislation in 2019 and just one year later implemented Open Banking across banking, energy and telecommunications sectors. It's a model for speed, proving that with political will, it is possible to get things done.

Q: What about the UK?

A: They have the world's most mature Open Banking ecosystem. With maturity comes insight, which was captured in a lessons-learned report issued this fall by UK competition authorities who found opportunities for improvement in the governance of the Open Banking Implementation Entity. Notably, the report said that while the largest UK banks have shown signs of embracing Open Banking, they may also have an incentive to slow the development of the ecosystem where it conflicts with their own commercial objectives. This is a warning that Canadian policymakers should heed.

We chose to build our EQ Bank platform as a consumer hub where customers can access our best-in-class products and those of specialized third parties.

Q: What needs to happen to ensure that Open Banking in Canada is operational by 2023?

A: Legislative action. Really, we should waste no time appointing the Open Banking lead recommended by the Advisory Committee to the Minister of Finance. Open Banking advocates are certainly looking for the commitment to deliver Open Banking in January 2023. Time is ticking and we really need to see advances on the implementation of the plan.

Q: What will Open Banking in Canada look like five years after implementation?

A: If we do this right, we will have created a dynamic ecosystem of specialized financial services that helps Canadians in all walks of life to improve everything, from household budgeting and retirement savings, to the receipt of competitive credit products.

The exciting thing is that we cannot know precisely what it will look like, but we can certainly anticipate a more inclusive and competitive banking system that will benefit all Canadians with a feeling that we are on a trajectory that will continue to deliver benefits for years to come. ■

Insight

Consumer-friendly Open Banking is within Canada's reach

MAHIMA PODDAR

SVP and Group Head
Personal Banking
EQ Bank



Open Banking, often referred to as consumer-directed finance, will give ownership of data to the consumer, including SMEs, and provide the framework for access to customer data that will enable consumers and small businesses to make healthier financial decisions.

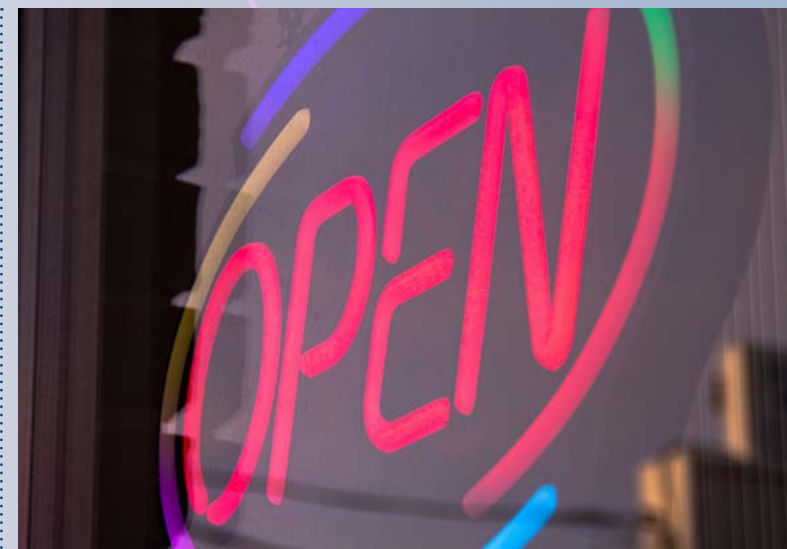
Banks and fintechs in Canada, including EQ Bank, are hard at work creating digital experiences that consumers are asking for. But their success requires both access to personal banking data through Open Banking, and payment initiation included alongside Open Banking.

Payment initiation would allow customers to direct authorized third parties to make payments from bank accounts to other parties.

Maintaining momentum

Canada has made great progress with the Department of Finance's Consumer Directed Finance consultation process and Payments Canada payments modernization initiative. In addition, ISSED has tried to shepherd reforms to PIPEDA through Parliament that will, hopefully, include strong individual and business data mobility rights.

That said, each one of those files is either delayed or seriously behind schedule. For example, it took almost a year to release the Advisory Committee's report on phase one of the Open Banking consultation process, the Final Report remains a series of recommendations versus mandates, and since then, no lead for Open Banking has been appointed. The real time rail – a key component of PayCan's modernization initiative – is currently three to four years behind schedule with the recently announced setback to June 2023.



While payment initiation is seen by many as core to Open Banking, the Advisory Committee's Final Report does not contemplate payments initiation or write access until, at best, a subsequent phase that is also aligned with the payments modernization framework. In comparison, Australia already has the NPP with open access, and the EU, Japan, Mexico and Rwanda all came to market with Open Banking with both read and write access. ➤

Insight_continued

MAHIMA PODDAR

› Ultimately, it is consumers who suffer if Canada continues to move too slowly in implementing Open Banking. It delays bringing solutions to market that will help consumers save more, spend less and simplify their financial lives. Moreover, the current data sharing mechanism relies on credential sharing and screen scraping, which is not secure and puts the consumer at risk of negating their agreed to terms and conditions.

Advocating for Open Banking

Given the inertia and the concentrated nature of Canada's financial markets, securing Open Banking standards in Canada will take advocacy from multiple stakeholders – the most important of which is consumers. Open Banking policies benefit ordinary people and small businesses. But most consumers are not represented by their own lobbying groups and even if they were, the majority remain unaware of Open Banking. Moreover, while Open Banking benefits consumers, the cost to incumbent stakeholders is material and so they are likely to resist Open Banking changes until they are mandated.

In Canada, the incumbents often have an outsized voice on Open Banking and the ability to influence Open Banking recommendations based on their internal challenges or motivations. In comparison, when the UK developed its own standards for Open Banking, consumer advocates had a seat at the table – alongside banks and fintechs – from the very beginning.

Despite delays, following the Final Report from the Advisory Committee, we are now in a much better position to get support from the Government to implement Open Banking in Canada. The catalyst required at this stage is a concerted effort to advocate for the benefits of consumer data rights and, ultimately, push the Government to create and foster a regulatory environment that encourages more competition and innovation.

Current recommendations focus on Open Banking participation by regulated entities only. Ideally, the Government will foster a regulatory environment that establishes a level playing field for fintechs versus one that largely maintains the status quo. Consumer advocates should also be pushing for consumers to have the choice about who to share their data with – in other words, any accredited third party.

Despite delays, following the Final Report from the Advisory Committee, we are now in a much better position to get support from the government to implement Open Banking in Canada.

Recipe for success

Admittedly, we all have a role to play to get to faster implementation of Open Banking. Challenger banks, like ourselves, need to keep our minds open to opportunities to collaborate.

As a result of the incumbent/fintech dynamic that has developed in Canada, we can sometimes be too quick to dismiss opportunities to work together. If we can find ways to partner that work for both sides, we should be pursuing these opportunities.

If we take this mindset, add stronger consumer advocates, and then government and political support, then we're much better positioned for a faster, consumer-friendly Open Banking regime in Canada. ■

Insight

Keeping Canada's Open Banking journey on track is vital

TUSHAR TYAGI

Senior Manager
Open Banking & Digital Banking
EQ Bank



With 34 recommendations and a target date of January 2023, the Government of Canada's Advisory Committee on Open Banking has done a great job in providing more clarity and direction for the next steps in the roadmap to Open Banking.

Among the many positives is the Committee's call for a collaborative approach from Government and industry to ensure there will be an overarching mandate and the flexibility for innovation. As anticipated, the Committee called for a read access only in the first phase. This will ensure the system risks are known and

understood by the participants before we move into a write access for the participants. Though write access should remain within the scope to realise the full potential of Open Banking in Canada.

The recommendation is to mandate all the federally regulated banks to participate as user-permissioned data providers. Another positive to come out of the report is that, unlike in other jurisdictions around the world, the Committee did not ask for optional participation or mandate participation to larger financial institutions only, which widens the availability of data.

In terms of reciprocal data access, the emphasis is on users' right to data portability and not limiting this to only financial institutions, but extending it to accredited participants like financial service providers as well.

January 2023 as the target date is aspirational but doable and the first milestone in this regard would be the appointment of the Open Banking lead and the creation of an implementation entity. ➤



Insight_continued

TUSHAR TYAGI

› We are on the right path. But, right now, it remains a series of recommendations. Once Open Banking comes as a mandate, it will bring a lot more clarity to participants about what their role is and how they have to align themselves to make it a success in Canada.

Crucial next steps

Having closely followed Open Banking in the UK, I strongly believe the Canadian Government should play a role in setting up the regulation. I understand that they are aiming for a hybrid, 'made in Canada' model and that they are seeking to achieve collaboration from across the ecosystem. But I still feel it should come as a regulation, so that all the federally- and provincially-regulated banks and credit unions are mandated to share their data. After all, that is the foundation of Open Banking.

This is why it makes a lot of sense for the Government to set up an Open Banking lead and, along with that, an Open Banking implementation entity. This entity would ensure what the common rules should be, what accreditation will look like and the tech standards we should have to follow. Unless we have these in place, it is not very clear

where Canada should be heading and it becomes very difficult even for the banks to prepare for Open Banking. This implementation entity would work closely with the industry to set up a framework that is feasible and beneficial – and by that, I mean beneficial for all.

Open Banking for all

At EQ Bank, I have been focused on setting up a strategy to establish what our role, as a company, in the ecosystem will be. We want to ensure that Open Banking is implemented in a way that is not just beneficial for a section of society, but rather so that it's beneficial for everybody. It is important that we are not looking at Open Banking solely from a personal banking point of view, but that we are also including business banking, especially for small and medium businesses.

There are many established and thriving fintech players in Canada that understand the market really well. Increasingly, fintechs are outpacing the banks when it comes to user experience. But banks still have the edge when it comes to designing products. So it stands to reason that we can expect to see Canadian banks leverage different partnerships with fintechs. I am confident that with the right platform, we will see a wave

EQ Bank is hopeful that the upcoming phases of Open Banking will remain on track and will make clearer the path to open processes and open products.

of innovation out of Canada in the future.

Less talking, more doing

Given that Canada is adopting Open Banking at a later stage than many other countries, we should see it as an opportunity to learn from the shortcomings of other jurisdictions.

EQ Bank is hopeful that the upcoming phases of Open Banking will remain on track and will make clearer the path to open processes and open products, not only in banking but also in other industries like insurance and healthcare.

Crucially, right now it comes down to how quickly Canada appoints an Open Banking lead and sets up an implementation entity. Unless we do that, we are still only talking about Open Banking but not implementing it. ■

Industry Insight

On the road to Open Banking-ish

BEN HARRISON

Partner, Head of Partnerships & Policy
Portag3 Ventures



Fintech is the future of financial services. Increasingly it is also the present. This is a fundamental belief that we at Portage hold to be true and it informs not only how we invest but the regions we

invest in. It becomes harder over time to invest in countries that don't share this perspective. Canada's commitment to this belief, based on how we're approaching Open Banking, to say nothing of privacy and data mobility rights or payments modernization, remains very much in question.

Unfortunately, we don't have the luxury of deciding if fintech is a strategic priority or not. The world has decided for us. Fintech is a

"permanent, technological revolution," reads a report that was commissioned by the United Kingdom's equivalent of our Department of Finance. The report says fintech is "changing the way we do finance." The numbers don't lie: the market value of the biggest fintech companies has trounced the market value of the biggest banks.

Fintech is here, and so the question for policymakers is how to promote responsible innovation, giving consumers and businesses what they've long wanted but been unable to access from legacy financial institutions. Canada seems to understand that something needs to be done, but Canada doesn't seem to understand what needs doing.

All the signs and signals point to a Canada that is currently on the road to Open Banking-ish.

What's Open Banking-ish? It's the first phase of the Advisory Committee's Open Banking recommendations. It's market-driven Open Banking, but it's delivered under the supervision of a government-appointed person through whom the government can direct its moral



persuasion, nudging the industry to coalesce around a voluntary data-sharing arrangement. This phase is short of policymaking, but it's likely to be full of subtle threats of future policymaking. Whether the threats are enough to nudge the industry is anyone's guess.

Though the Liberals committed to delivering the Advisory Committee's recommendations by 2023, everyone is waiting for the Minister's office to clarify what they meant. ➤

Industry Insight_continued

BEN HARRISON

› Did they commit to only the first phase, or did they also commit to the second, which is supposed to come after 2023? Many of the things Canada's fintechs want are in the second phase: a broader scope of read access, write access, a formal governance entity that equalizes the balance of power in financial-sector policymaking, and, of course, actual policymaking—rather than the subtle threats thereof. Canada's fintechs are lucky that the future isn't pre-determined. It's not too late to make sure we're on the right road. But a few things need to happen and soon.

First, we need to see more political leadership. It was great to see both the Liberals and Conservatives commit to delivering Open Banking on the campaign trail this past election. It was also great to see the NDP's Peter Julien tell WealtheSimple founder Michael Katchen that "Open Banking is so important." Now that promises have been made, however, it's going to take even more political leadership to fulfil them. Talk isn't nothing, but it's cheaper than action.

Second, we need that political leadership to nudge the industry on the road to Open Banking, not Open Banking-ish. Open Banking is a framework, supported by legislation, to make Canada's financial sector more competitive. It's

a data-mobility right, established in modernized privacy legislation. It's a formal governance entity that amplifies the voices of fintechs, consumers, and businesses in the conversation with Canada's biggest banks, who by virtue of their market share can make for difficult partners. It's the ability of consumers and small businesses to instruct fintech companies to not only access their financial information, but also make payments and open and close financial accounts on their behalf.

Third, we need to get a move on. The government first consulted on Open Banking in 2019, but it's 2021 and we still haven't taken the first step in implementation. The Advisory Committee's report, which was dated April 2021 but released in August 2021, recommended that the government appoint an Open Banking lead to start an 18-month process to launch Open Banking by January 2023. By the Advisory Committee's own timeline, we are behind schedule by almost half a year and counting because the government is still searching for an Open Banking lead.

These three things are no panacea. There is a lot more Canada can do to support fintech. But these three things are incremental steps towards a better world—a world where Canada is a little

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more competitive for global capital and talent, and where Canadian fintech entrepreneurs can define the future of Canadian financial services. Canada has what it takes to compete on the world stage. At Portage, we're lucky enough to work closely with some of the best fintech companies Canada has to offer. To us, Canada's potential isn't just an abstraction. The clustering of top talent, the optimism of our entrepreneurs, the ambition to lead with the noble purpose of democratizing access to financial services—to us, it's all very concrete and the key to unlocking the global success of Canadian fintech.

Forget about no longer being behind. What about leading the world? It's possible—within reach, even—and the regulatory levers we need to pull are in our control. So let's start exercising it, and show the world that Canada really does believe fintech is the future of financial services. ■

Industry Insight

Open Banking: a credit union CEO's perspective

CHRIS CATLIFF
President and CEO
BlueShore Financial



Credit unions have a history of showcasing their innovative spirit within the Canadian financial services industry. Credit unions were the first to offer responsible investing, debit cards, full-service ATMs, and more.

But, Open Banking will challenge our industry's innovative thinking. With a physical presence in nearly 400 communities, ranging from sophisticated financial boutiques to traditional community institutions, Open Banking is causing credit unions to question their go-forward strategies in a digital world.

As CEO of BlueShore Financial for over 20 years, I see my credit union peers taking three different perspectives on how Open Banking will impact our industry: indifference, excitement, trepidation.

Let's take a look at the first perspective: indifference. We've been talking about Open Banking for many years. The Canadian launch date is a moving target and we are years behind Open Banking in the UK. This has left some to question when we will launch at all. And, in some jurisdictions Open Banking has just been a "pop and fizz". It has not been the panacea it promised - at least not yet.

When Open Banking eventually makes its debut in Canada, credit unions will have the option to opt in or opt out. For those in the "indifferent" camp, they can simply choose not to participate. But opting-out doesn't mean Open Banking won't have an impact. The financial services eco-system will be irreversibly changed by the advent of Open Banking, so credit unions can either come along for the ride (and the opportunity), or watch from the sidelines. Taking a look back in time, many believed the Internet wouldn't have a profound impact on financial services. >



Industry Insight_continued

CHRIS CATLIFF

› We know better now. Is Open Banking the next killer app? I believe it will have as much of an impact on banking as the Internet did – eventually. This is because it allows instant comparison shopping and then easy fulfilment, erasing the inertia and friction it takes to switch accounts between financial institutions, just to get a better deal.

On the flip side, many credit unions are raring to go. Recall that innovative spirit I mentioned? Many credit unions are approaching Open Banking with excitement and see it as an opportunity to provide better, richer and more comprehensive banking solutions to their members. With data as king, Open Banking presents an opportunity to leverage customer data to deepen relationships and deliver an even more personalized experience based on spending habits and financial preferences, while eliminating the security and privacy risks of screen scraping, the current Open Banking “work-around”.

Can credit unions be excited while also feeling some trepidation? Absolutely. And I would wager that this is where many Canadian credit unions currently lie. Sharing data to outside parties is counter-intuitive to our hardened IT and core banking systems, built over decades to precisely

defend against any disgorgement of data to the outside. Now, we’re being asked to open them up. Credit unions have built pillars of trust by ensuring their members’ data is safe, treated with respect, and privacy is held to a fail-safe standard. How do we reconcile these two opposing forces? Credit unions need to look at how well they have prepared their core banking systems to connect with online fintechs. This can be done, but it takes technology innovation and investment in secure interfaces. The capital and expertise required to re-engineer something built for a different purpose is not a light undertaking.

The trepidation is also related to how well provincial regulators can provide credit unions with a level playing field to compete with federally regulated banks. Currently, regulations on peripheral businesses are far more restrictive to credit unions than to banks, creating an uneven playing field. Provinces must act and now.

Whether feeling indifferent, excitement or trepidation, the question remains, “Where do we go from here?” Canada needs to catch up to the UK and Australia for starters. By implementing government standards, both federally and

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provincially, we can ensure a secure, regulated Open Banking framework. Across the credit union industry we need to be investing in the future, now, to stand up a fully functioning system amongst participants. This requires a detailed roadmap and long-term business model.

While it makes sense for some credit unions to opt-out, they could miss a burgeoning opportunity to secure their spot in the Open Banking revolution. Credit unions have always been about making banking easier. Open Banking will do this in spades. ■

Industry Insight

The credit union journey to Open Banking

PATRICK BARR

Advisor, Open Banking
Canadian Credit Union Association



Financial services are experiencing a paradigm shift globally as Open Banking is putting consumers in control of how and with whom their data is being shared. Naturally most financial

institutions, including credit unions, were initially concerned that a highly valuable asset, consumer data, would no longer be 'owned' by them.

However, what makes credit unions unique is that as part of co-operative, member-owned, democratic institutions, their members have been the true owners of their data since long before Open Banking. This type of governance structure changes the lens through which credit union leaders examine Open Banking, as their primary

focus is on member and community benefits as opposed to purely profit incentives. There are many ways credit unions see Open Banking as being beneficial to their members; standardizing and improving financial data-sharing security protocols across the sector; integrating specialized products developed by third-parties into credit union platforms to assist members with unique needs; leveraging member data held externally to improve existing offerings (i.e. wealth management advice); and more. In light of all of these benefits to credit union members and the communities they serve, it's no surprise that so many credit unions are excited to see Open Banking continue to progress in Canada.

While credit unions are well-positioned to thrive in this new environment, Open Banking presents a unique challenge to the credit union sector due to the federated nature of Canada. The Open Banking framework will be implemented at the federal level, and all credit unions, except for two, are under provincial jurisdiction. Additionally, concerns exist that even if credit unions are permitted to participate in Open Banking, provincial rules may be misaligned with a framework designed at the federal level, >



Industry Insight_continued

PATRICK BARR

› which could create delays while legislation is reviewed and amended. Following years of persistent advocacy work by CCUA and the credit union sector, the recommendation for provincial credit unions to be permitted to participate in the Open Banking system was included in the Advisory Committee's report to the Minister of Finance released this past August. Additionally, our recommendation that policymakers and regulators at the federal, provincial and territorial levels be included in the development process of the Open Banking framework, as to ensure alignment from a regulatory perspective, was also reflected in the Advisory Committee's report. While the recommendations in the report are not yet official government policy, they are a great indication that our advocacy efforts have been fruitful and credit unions and their members will be able to share in the benefits of Open Banking.

As comparatively small institutions in Canada's financial sector, offering best-in-class products and services has always required collaboration amongst credit unions to share costs and achieve scale. This principle of cooperation is expected to become even more paramount for credit unions



to succeed in the context of an Open Banking economy. Cooperation amongst credit unions in an Open Banking world could take many forms; the shared development of digital platforms or API marketplaces; joint acquisitions of technology firms; leveraging system partners to meet data governance and compliance requirements; and more. Partnerships will be a key driver of success and growth in an Open

While the recommendations in the report are not yet official government policy, they are a great indication that our advocacy efforts have been fruitful and credit unions and their members will be able to share in the benefits of Open Banking.

Banking ecosystem, and there is no type of organization better suited to take advantage of this opportunity than credit unions who were formed on collaborative principles.

CCUA looks forward to continuing advocating on behalf of and supporting our member credit unions as they work to bring the benefits of Open Banking to their members. ■

Industry Insight

The current state of Open Banking in Canada and North America

MATT NAISH

Head of Product Strategy
FISPAN



Many small to medium businesses are feeling neglected by banks. Open Banking is a big part of this conversation, and we are beginning to see some market-based momentum around it.

Open Banking is showing up as a direct response to the market opportunity, meaning that the demand from consumers and business users to use third party apps is increasing. If your bank doesn't work with those apps, it's a massive disadvantage for you. If a customer can't use a certain app because you don't offer it, they're

going to find a different bank that can offer them a better experience.

Effectively, there is going to be increasing momentum in the marketplace. So, as the European and Australian Open Banking regimes mature, the scope will go above and beyond what the US and Canada have done. As multinational banks, fintechs and developers start to develop other offerings around Open Banking infrastructure in those other markets, it is most likely going to dial up customer expectations in North America. Even if Open Banking is slow to adopt in the US and Canada, the best things that come out of Open Banking will undoubtedly surface in the region. It will be very interesting to watch multinational banks bring the best of their Open Banking infrastructure to their North American banks and use it in competitive ways.

Open Banking in Canada

Canada is lagging somewhat behind some other countries, such as Europe and Australia, where governments have mandated Open Banking and the sharing of customer information. At some point, the Canadian government will follow suit



and mandate Open Banking, but the sooner banks come on board – and some may get ahead of legislation and create better user experiences now – the better. Everyone should want to see Open Banking succeed, as it will make it easier for a bank's business clients to operate, which then further increases economic innovation and competitiveness. >

Industry Insight_continued

MATT NAISH

› If Canada's banks are going to become global financial innovators, they need to be more open-minded when it comes to working with fintechs and embrace key trends, which include Open Banking, authentication and digital identification, payments modernization, and embedding financial services within other applications.

Open Banking will help banks undergo digital transformation more easily and benefit small businesses in Canada

Over the next few years, it is likely that governments will force financial institutions to become more transparent with their data and share information of the client's choosing with their peers because of Open Banking. By having a freer flow of information between these parties, both banks and fintechs could develop new apps and services to better serve the needs of their customers.

Open Banking will make it easier for customers to access fintech products or even open accounts with other financial institutions, but they will transact with others through their main bank's platforms. Rather than getting frustrated with their bank's limitations, customers will be grateful for how much easier it is to work

with their institution. Initiatives like Open Banking can help to unlock lots of different types of data, such as cash flow and accounts receivable, for small businesses and let them share it with other service providers, in order to be provided with better experiences in their day-to-day business operations.

By empowering small and medium businesses with solutions that are easy to use, businesses can participate in sophisticated supply chains and act as local point-of-service distribution centers. Open Banking solutions also remove the technical burden for business users and eliminate the need for them to become payments or banking experts, allowing them to focus on running their business.

The global health crisis – and its economic fallout – represents a special opportunity to embrace Open Banking

We see the pandemic as having brought about digitization and innovation at a quicker pace than pre-pandemic. What has essentially happened is that businesses suddenly needed to eliminate manual and paper-based processes, so they looked to their banks for help implementing digital solutions quickly.

We see the pandemic as having brought about digitization and innovation at a quicker pace than pre-pandemic.

This has pushed banks to start rethinking their innovation goals, and they've started asking what efforts will have an immediate impact on the client experience.

How does FISPAN fit into the Open Banking effort in Canada?

We make it easy for banks to extend their service offering to their business clients by embedding commercial banking applications within the organization's ERP or accounting software. The fact that embedded banking has suddenly become so pervasive means that FISPAN is positioned to bring about a huge shift in how businesses of all sizes consume banking products. The most innovative banks are partnering with fintechs to deliver better payment services they believe will make their business customers happier, their relationships stronger and drive revenue. ■

Industry Insight

Open Banking in Canada: A force for good

MICHELLE BEYO
OBIC Board Member
CEO Finavator



Since 2018 Canada has explored the creation and implementation of its own Open Banking framework. Beginning with the Senate's Report released in 2019, and with the publication of the Final Report from the Advisory Committee on Open Banking released on August 4, 2021, the market is excited and ready to move forward with Open Banking.

Currently, the Canadian market is eagerly awaiting further direction and the crucial appointment of the Open Banking Lead, as recommended in the Final Report, by the Minister of Finance. These steps will provide much needed guidance on how to drive forward Open Banking in an ecosystem that needs to grow in order to compete with the rest of the world.

Open Banking Initiative Canada (OBIC) believes that there are numerous ways in which Open Banking will be a force of good for all. Here are some examples of use cases:

Account Aggregation

By aggregating your accounts across financial institutions in one secure interface, Open Banking will help consumers have a simple, clearer view of their personal finances. This includes credit card balances, investment accounts, personal loans and more, enabling consumers to make better, smarter choices for their financial health.

Personal Finance Management

Personal Finance Management (PFM) tools are meant to give consumers a complete overview of their financial situation. This can for instance be with placing payments in different categories or showing how much money the consumer has left to spend this month. Dedicated software allows PFM tools to pull in information from various accounts into one informative interface. Open Banking has triggered a greater proliferation of financial management services, offering choice to the consumer and opportunities for providers to offer a range of tailored products.



Instant Credit Adjudication

Open Banking can rapidly speed up credit applications by allowing lenders to gain an almost instantaneous overview of an applicant's real-time credit history which can enable lenders and underwriters to make quicker decisions. Consumers can also quickly find the products for which they are most likely to be approved. Instant credit risk means they can use comparison sites for loans and credit cards and be given an indication of their likelihood of acceptance before applying. ➤

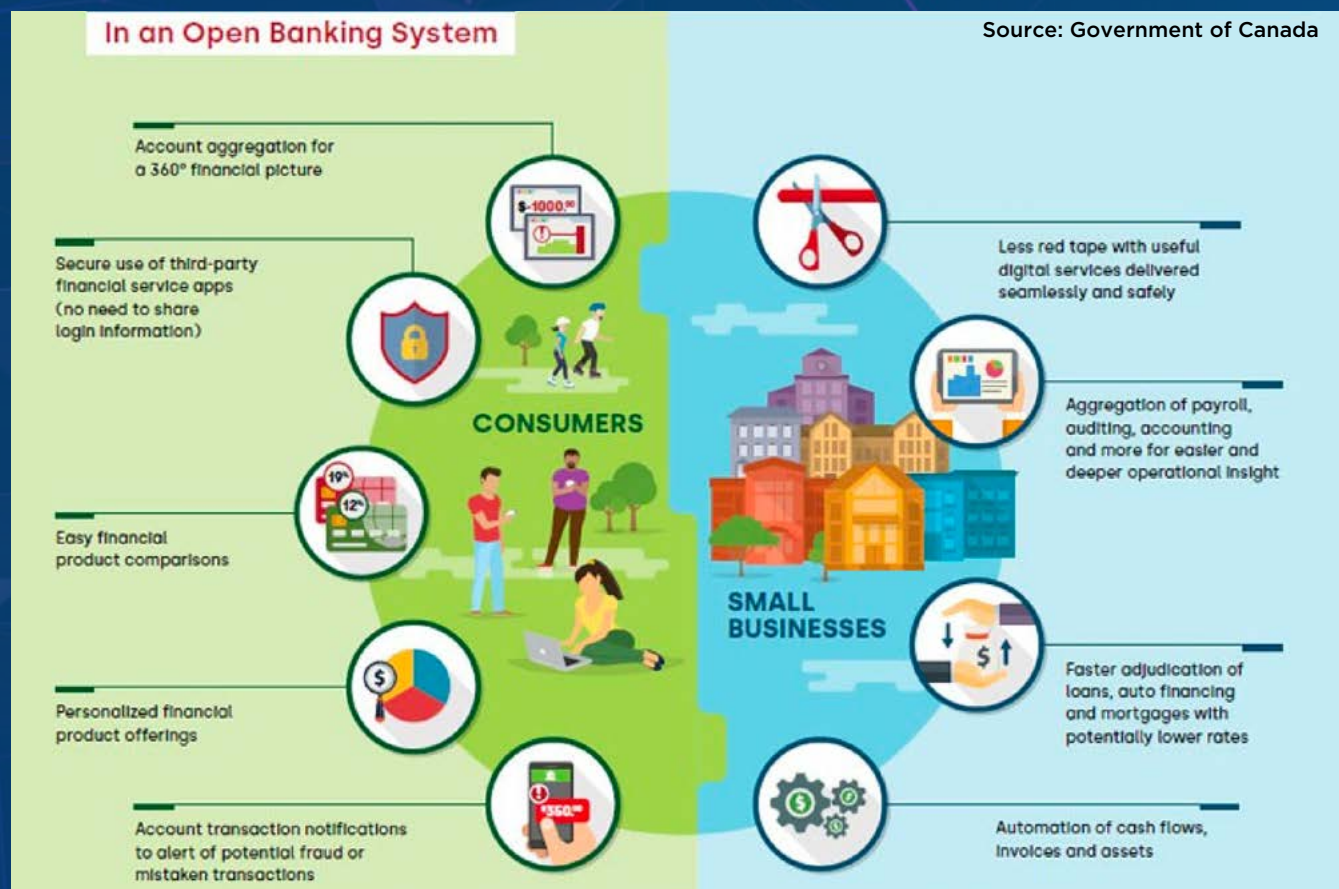
Industry Insight_continued

MICHELLE BEYO

► This tendency has also seen the rise in a lot of the Buy Now Pay Later functionalities that are on the rise within the financial industry.

With the COVID-19 pandemic, there is an even greater need for Canadian consumers and small businesses to have the opportunity to better understand their finances as well as save for the future. As we look to other jurisdictions such as the UK, Australia, Brazil, Singapore, and emerging markets like the UAE, Canada is missing the massive opportunities innovative financial institutions and fintech collaborations provide to consumers with personalized products and services coupled with increased choices and competition.

We want to ensure Canada's future as an innovation economy by giving fintech innovations and innovators a vibrant right-here-at-home ecosystem to build on without looking to other markets to ensure growth. Another serious consequence of delayed implementation of Open Banking in Canada is the potential loss of VC investors leaving for other markets and providing critical capital to foreign companies instead of supporting home-grown start-ups. Looking at other markets, VC funding in the UK is ►



Industry Insight_continued

MICHELLE BEYO

› outperforming Canada's fintech investments, reaching an all-time high of \$11.4bn in the first nine months of the year.

Open Banking is not a zero sum game. By enabling Open Banking the entire ecosystem, including consumers, small businesses, government, fintechs, credit unions, and banks can all flourish and grow together. Currently there is a date being proposed within the Open Banking consultation paper for January 2023. The 18-month roadmap is a truly important first step for the Canadian ecosystem, and needs to be enforced by the government for Canada to have an opportunity to catch up to the pace and growth of the rest of the world.

Other markets are moving quickly to implement Open Banking. For example, both Brazil and Australia completed their Open Banking frameworks within an 18 month roadmap, with both countries benefiting from job creation, investment growth, and even the opportunity for banks to modernize.

Unfortunately, a market led approach without active participation of a trusted partner in the government can lead to a fragmented Open

Banking framework, and if Canada would like to compete on a global stage then we will need input and a guiding hand from Finance Canada.

The goal will not to be over-regulated, but the Canadian government can help set the pace and direction for the market to work together to drive innovation, competition, and allow stronger investment into the Canadian market. Over the coming months, the most important next steps for Open Banking to move forward in Canada is for the Government to appoint the Open Banking Lead, set a firm implementation date with an agreed upon first stage scope, and endorse the consultation roadmap which will allow the entire ecosystem to work together at the same pace with clear and defined goals. We will also need to define consumer data rights similar to Bill C-11 proposed in 2020. It will need to be updated and re-proposed to the Government, as it will allow the consumer to have the rights to their financial data to improve their financial future by enabling more choice through customized products, strong data security with APIs, as well as providing the ability to view full additional insights which will allow for better budgeting tools.

The 18-month roadmap is a truly important first step for the Canadian ecosystem, and needs to be enforced by the government for Canada.

Past initiatives in Canada have improved consumers' lives, such as the highly-used 'Tap' payments through EMV chip and pin in 2008, then the move to allow customers to change their telecommunication providers with a simless number swap in 2019, as well as the reduction of fees for merchants with interchange fee deductions in 2021. All three initiatives had their challenges and unfortunately only moved forward and were implemented with strong ecosystem engagement because they all had regulation. We hope that the Government will set a firm implementation date, hire an Open Banking Lead as well as confirm the roadmap outlined by the consultation report to allow the ecosystem to drive Open Banking forward in Canada together and provide Canadian consumers and SMEs with the benefits of Open Banking. ■

Market Analysis

Open Banking: From vision to reality?

ELLIE DUNCAN

Head of Content
Open Banking Expo

As 2021 draws to a close, it seems like an appropriate time to take stock and consider Canada's progress on the road to Open Banking implementation, as well as what still needs to happen to maintain momentum.

Canada's Open Banking journey has been long and winding, and there is still a long way to travel.

It was back in 2018 that the then Minister of Finance announced a review into the merits of Open Banking, and subsequently tasked an Advisory Committee on Open Banking with leading that review.

In January 2020, a second mandate was introduced that took into account the implementation considerations of key stakeholders, around governance, privacy and security.

The Department of Finance published the conclusions from its consultation on the proposed Open Banking framework in December 2020, in the midst of the Covid-19 pandemic. The report was submitted to the government in April this year and then the industry was left waiting.

A nation waits...

For much of the first half of 2021, there was a sense of frustration within the Canadian Open Banking ecosystem at the prospect of another year slipping by and the country no closer to setting out a roadmap for Open Banking.

With Canada already lagging many other regions and nations that already had a clearly defined framework for Open Banking, the opportunity to implement consumer-directed finance was slipping from its grasp. >



Market Analysis_continued

ELLIE DUNCAN

› Canada's nearest neighbours, North America, also appeared to take a significant step in its journey to Open Banking when President Biden delivered, in early July, an Executive Order that seemed to be a green light for Open Banking.

The President's 'Executive Order on Promoting Competition in the American Economy', aims to "lower prices for families, increase wages for workers, and promote innovation and even faster economic growth", according to a statement from The White House.

Furthermore, it looked likely that back in Canada, Prime Minister Justin Trudeau would call a snap election for Fall, potentially stalling any hoped-for progress once again.

As it turned out, even before the elections in September, Open Banking in Canada was firmly back on the agenda with the Final Report out of the Government Advisory Committee in August. The committee recommended that Open Banking be operational in Canada by January 2023 – a deadline that seemed achievable at the time. But now, with just a year to go, there is an

increasing sense of urgency, particularly as Canadian consumers remain exposed to the inherent risks posed by screen scraping.

Consumer choice

One of the reasons that the Government Advisory Committee on Open Banking imposed an imminent deadline was because of the "real security and liability risks" to individuals from screen scraping.

According to the Department of Finance, more than four million Canadian consumers are using this method to share their financial data. At the time the report was published, Canada's deputy prime minister and finance minister Chrystia Freeland said: "Consumer-driven finance, or Open Banking, is already part of Canadians' lives. Many use digital services every day to manage their money, to budget for expenses, and to make investments.

"Working towards a regulated, made-in-Canada system will make sure that we continue to enjoy a strong, stable, and innovative financial sector that is globally competitive, promotes consumer

Consumer-driven finance, or Open Banking, is already part of Canadians' lives. Many use digital services every day to manage their money, to budget for expenses, and to make investments.

CHRYSTIA FREELAND

Canada's Deputy Prime Minister and Finance Minister

choice, prioritizes data privacy, and contributes to economic growth. I want to thank the committee for their work and look forward to reviewing their recommendations as we develop next steps."

In recommending that the country pursue a "hybrid, made-in-Canada approach", as it was referred to in the report, there is a sense that the Government wants to stamp its own mark on Open Banking – that it will avoid replicating an existing framework, such as that implemented in the UK, Australia or North America, and that it will forge its own path. ›

Market Analysis_continued

ELLIE DUNCAN

Appointing a leader

As an “immediate” first step, the Government’s advisory panel on Open Banking recommended appointing an Open Banking lead, who will be accountable to the deputy minister at Finance Canada.

Now, all eyes are on who will step up to this all-important role and, more importantly, what action they will take to get Open Banking over the line in Canada, within an appropriate timeframe and in a way that takes into account the differing requirements and technology capabilities of banks and fintechs.

Speaking on a panel session at Open Banking Expo Canada in November 2021, Andrew Moor, chief executive of EQ Bank, said that the role of Open Banking lead should be considered “a nation-building exercise”.

“Despite the challenges that would be there, it would be incredibly satisfying, with the feeling you could help move Canada to a new future,” Moor said of the yet-to-be-filled position.

What does the future hold?

While much of the discussion about Open Banking in Canada is now focused on the ‘lead’, there is still an ongoing debate about the made-in-Canada approach and whether it should be market-driven or led by the regulator.

Another unknown is what part, if any, Bill C-11 will play in consumer-directed finance. EQ Bank’s Moor told delegates at Open Banking Expo Canada that his message to Government is: “Don’t compromise on the date. We can be ready for that. We’re a capable, technologically-enabled nation, we can move on this important national agenda at a really good clip here.”

At the end of 2021, the Canadian Open Banking ecosystem still has plenty of unanswered questions.

But there is also much to be positive about, given that an implementation date has been set and that Canada can learn lessons from the approaches taken by other countries to carve their own version of Open Banking. ■



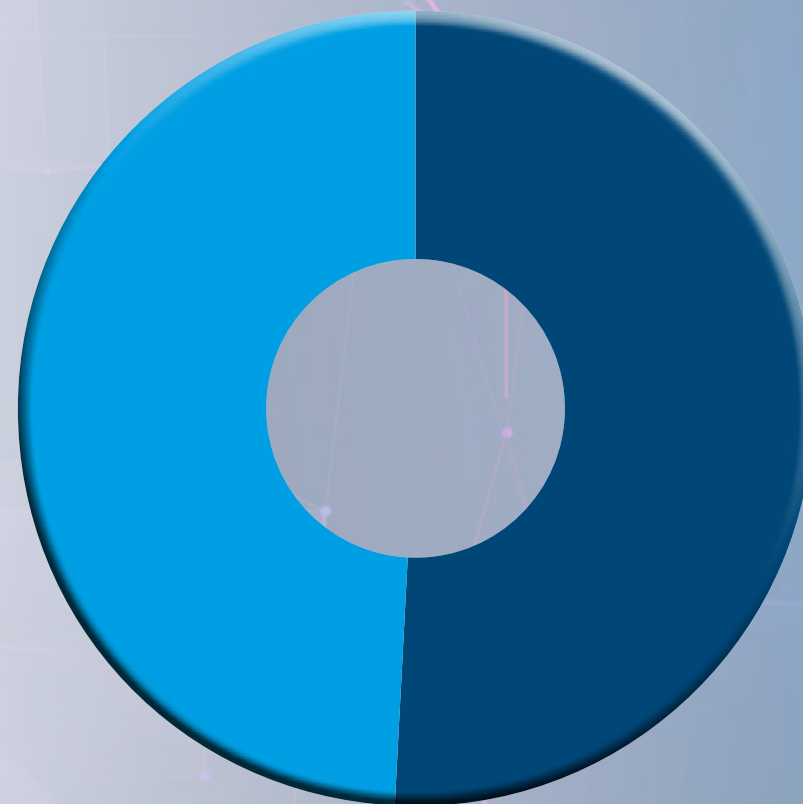
Survey Results

Q1

Did the Advisory Committee's recent report on Open Banking go far enough to move the conversation on from hype to prototype?

YES
49.40%

NO
50.60%



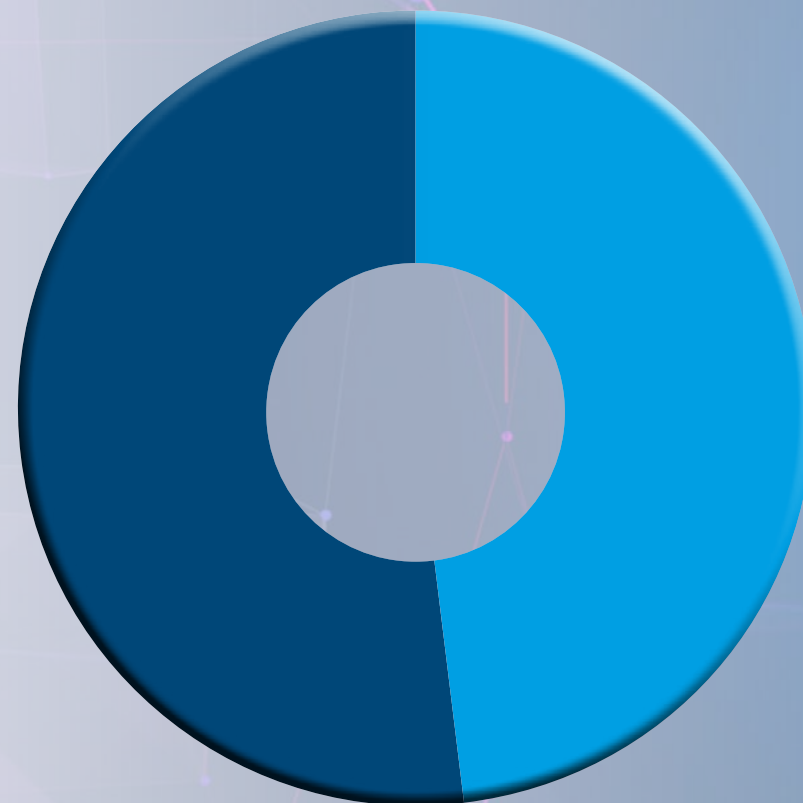
Survey Results

Q2

Is the 2023 Open Banking implementation deadline realistic?

YES
48.19%

NO
51.81%



Survey Results

Q3

Does Open Banking in Canada need to be mandated to ensure its success or can the market be driven by innovation alone?

Regulation is
the only way

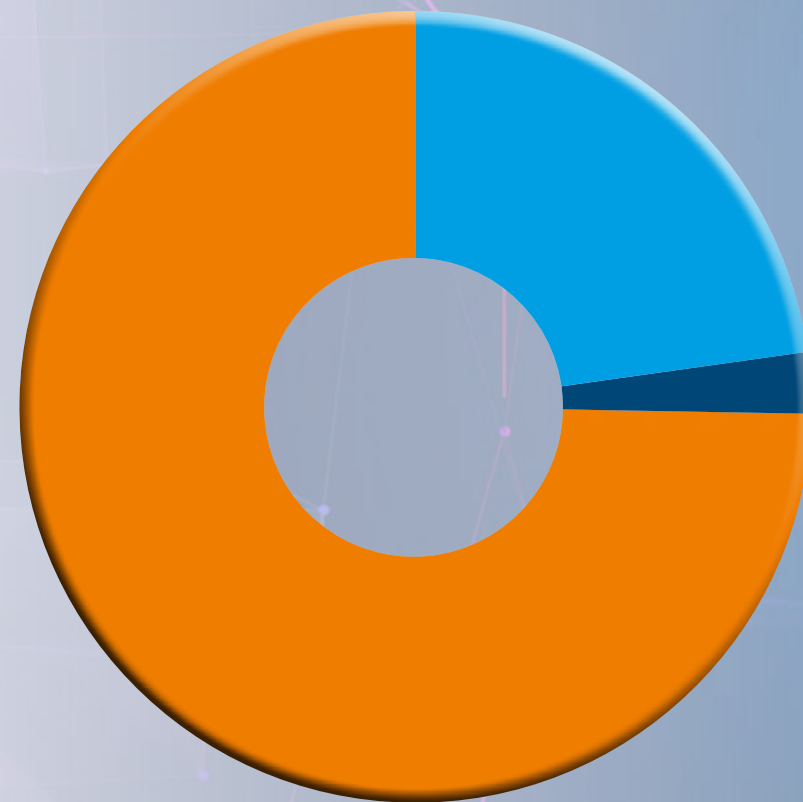
22.89%

A market-
driven
approach
can work

2.41%

Both go
hand in hand

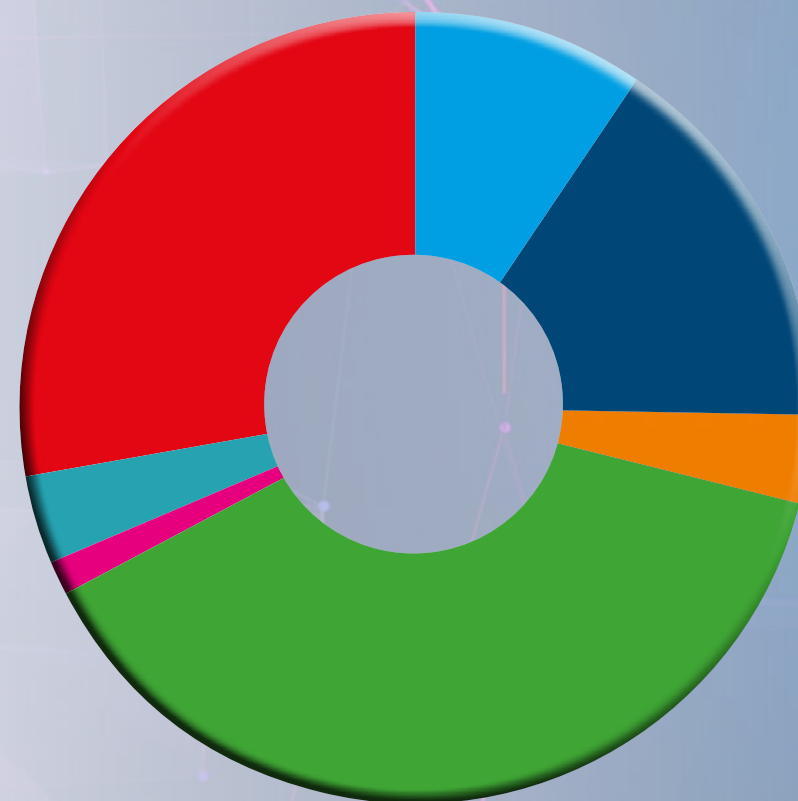
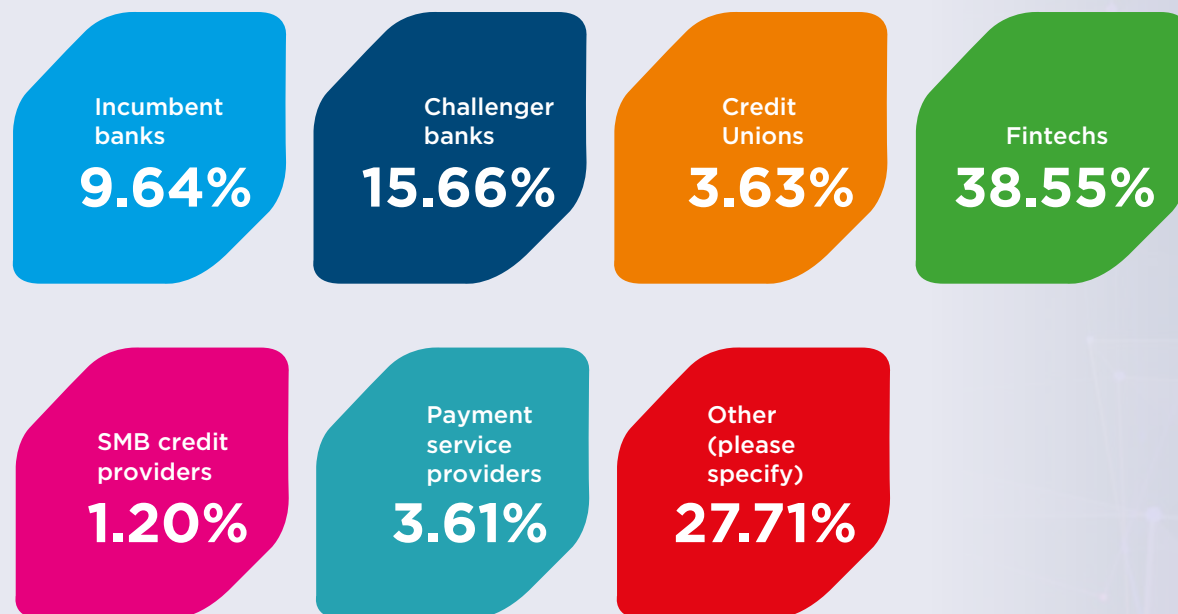
74.70%



Survey Results

Q4

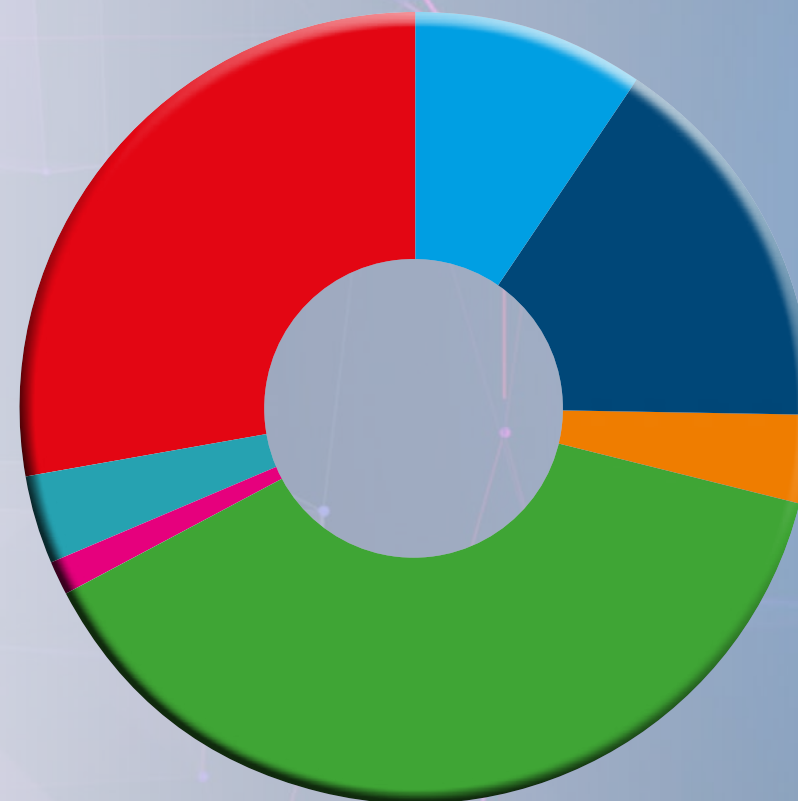
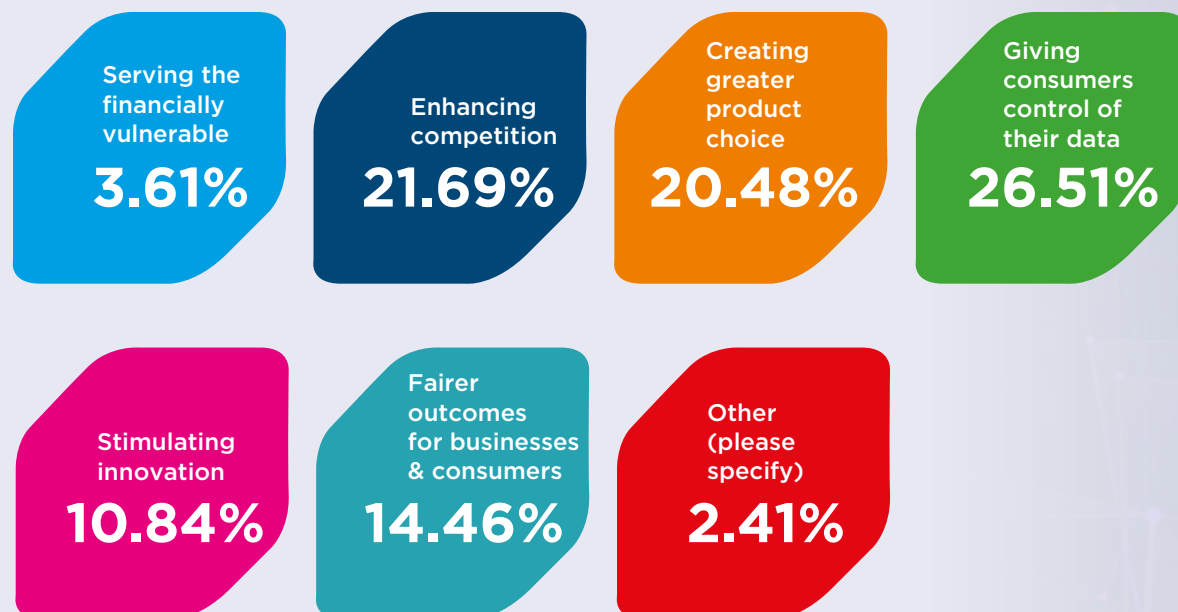
Who stands to be the biggest winners within the ecosystem if Open Banking is mandated?



Survey Results

Q5

What is the single biggest impact Open Banking will have in Canada?



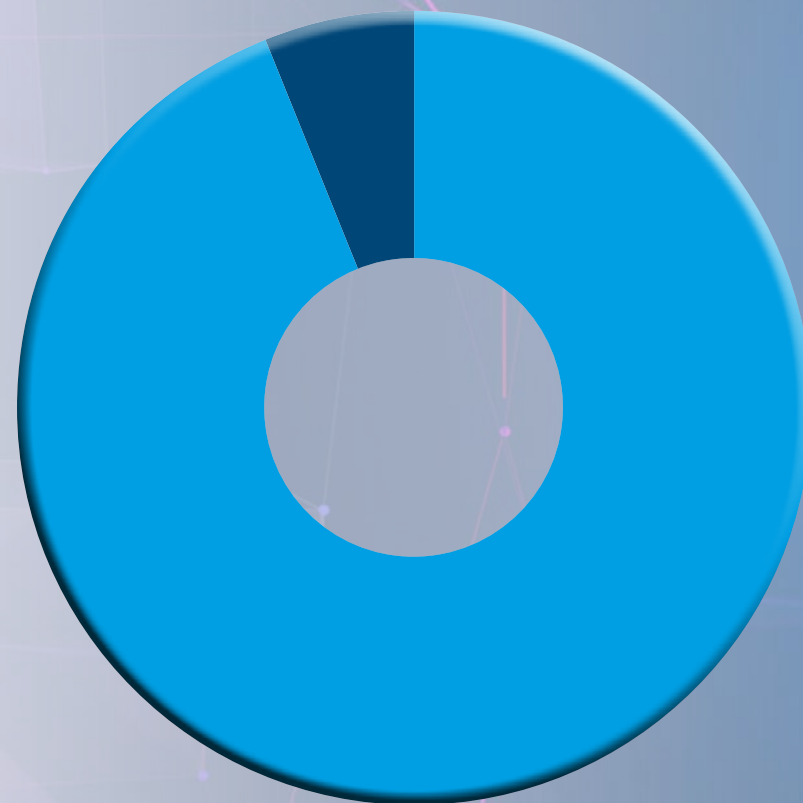
Survey Results

Q6

Can Canada's payments network benefit from Open Banking implementation?

YES
93.89%

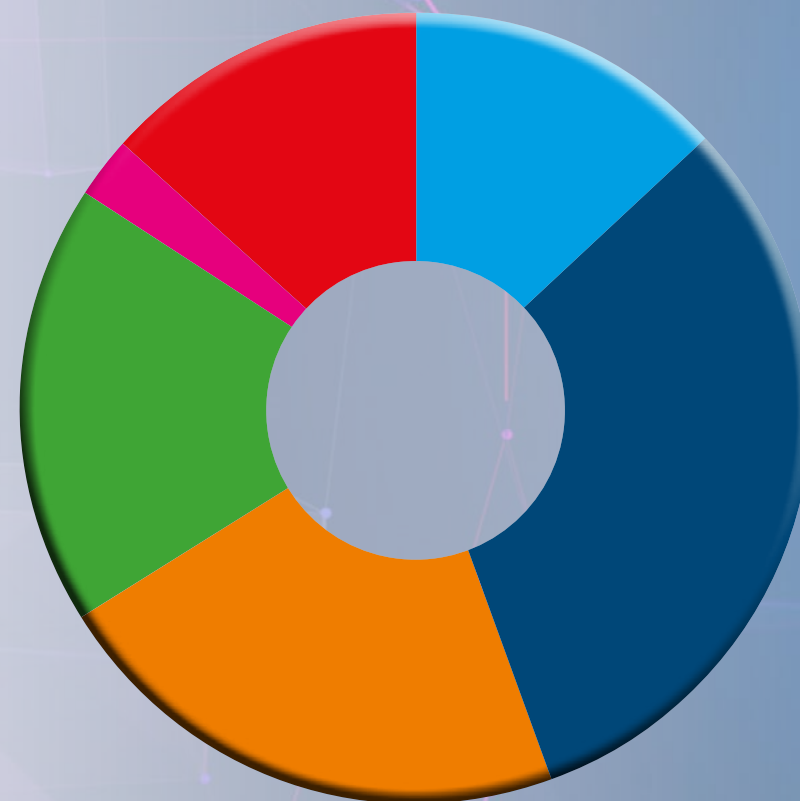
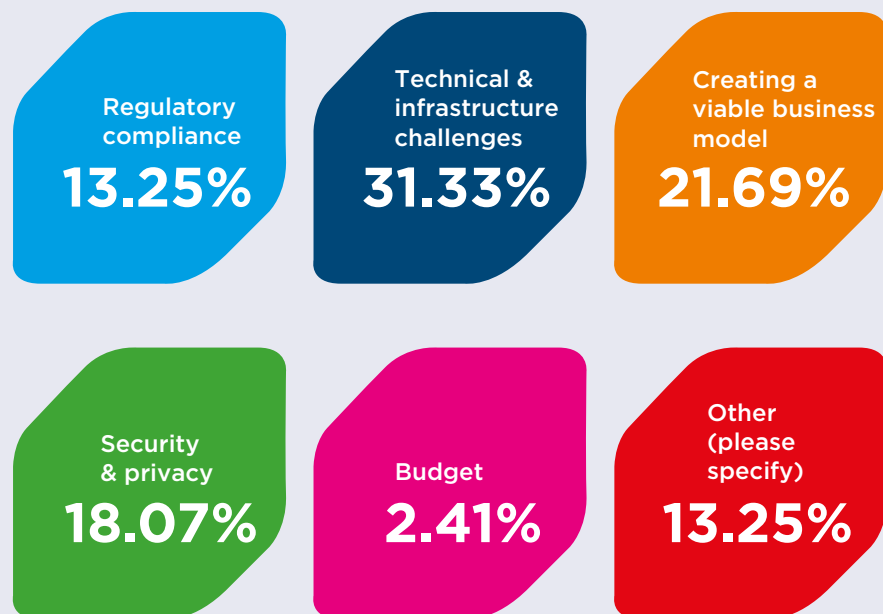
NO
6.11%



Survey Results

Q7

What is the biggest challenge banks face to deliver on a future Open Banking roadmap?



Survey Results

Q8

What commercial model should be undertaken to deliver an Open Banking roadmap?

Larger institutions support for initial roadmap

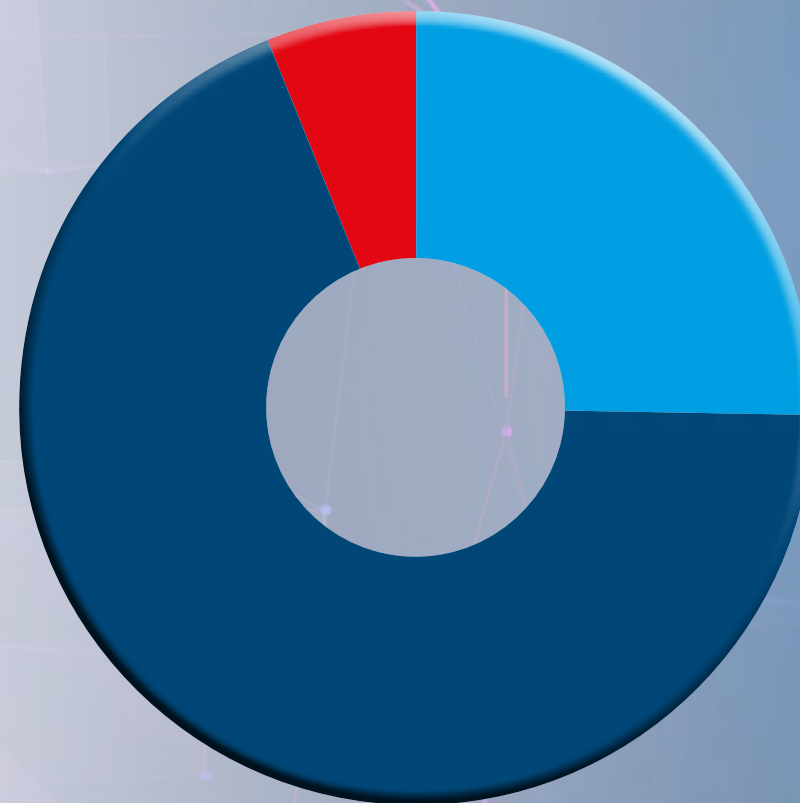
25.30%

All players large and small should 'Pay to play'

68.67%

Other (please specify)

6.03%



Survey Results

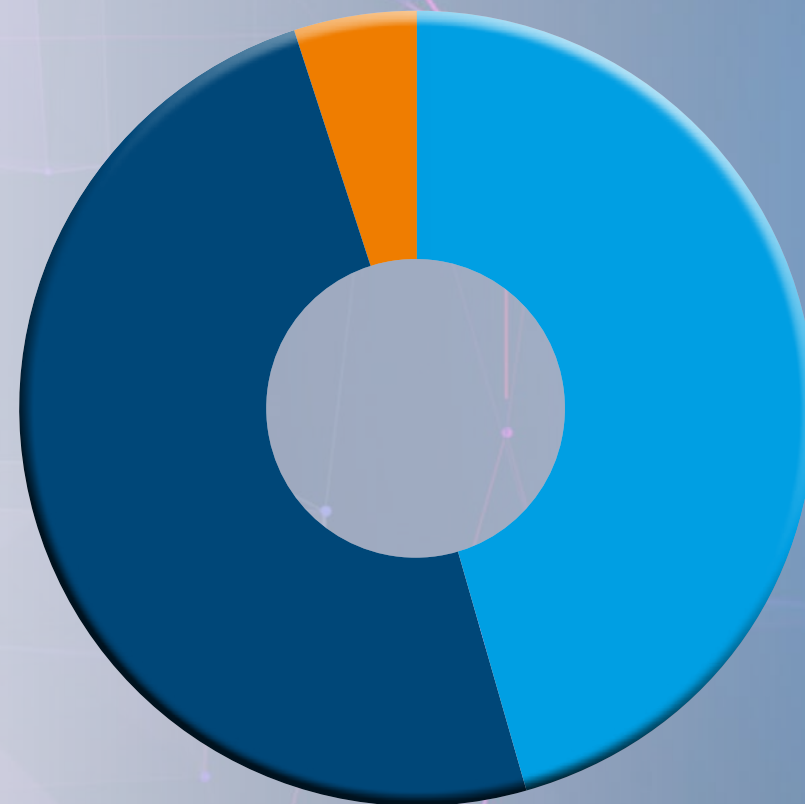
Q9

Should Bill C-11 be considered in any Canadian approach to Open Banking delivery?

YES
it's critical
to an Open
Banking future
45.78%

YES
it should
be a
consideration
49.40%

NO
4.82%



Global Developments





OPEN
BANKING
EXPO

Ground Floor
Cromwell House, 15 Andover Road
Winchester SO23 7BT
+44 (0)207 993 5159

www.openbankingexpo.com
hello@openbankingexpo.com

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