



February 11, 2019

The Advisory Committee to the Open Banking Review
Financial Institutions Division
The Financial Sector Policy Branch
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario
K1A 0G5

Dear Advisory Committee,

We are pleased to provide this submission in response to Finance Canada's January 2019 consultation paper on the merits of open banking in Canada. This submission complements the submission by the Canadian Bankers Association (CBA) and is intended to highlight the role of Canadian financial institutions (FIs) when it comes to providing innovative services to Canadian customers, the principles that ought to underpin a successful implementation of open banking, and the characteristics of the Canadian market and financial sector which will lead to the continued development of innovative services using open banking.

Canadian FIs are global leaders in financial services innovation and have been embracing the implementation of open banking in Canada. For many years, FIs have delivered products and services that provide consumers with greater access to their accounts and account-related information in the digital space. New relationships are evolving among FIs and other third party financial services providers (TPPs) to facilitate the exchange of financial transaction data at the customer's request, using new technologies such as application programming interfaces (APIs) designed to do this more securely.

It is important to underscore the risks outlined in the CBA submission. The complexity and interconnectedness of open banking exacerbates the risks to the financial system as a whole, particularly in the areas of consumer protection, privacy and confidentiality, and financial crimes. Based on our experience and observation of best practices across the world, the FIs making this submission believe that eight key principles should drive any open banking solution in order to manage the risks outlined in the CBA submission:

1. **Data Access Method** – Customers can authorize TPPs to access customer financial transaction data, and APIs are the preferred access method to promote the security of customer information
2. **Data Scope & Usability** – Customer consent is necessary for TPPs to access and collect customer financial transaction data available through secure access methods

3. **Technical and Security Standards** – TPPs accessing and collecting customer financial transaction data must be held to appropriate standards, including with respect to privacy and security
4. **Control & Informed Consent** – Customers must receive all necessary disclosures to provide informed consent. Customers have the right to withdraw consent, subject to legal and contractual restrictions
5. **Data Access Transparency** – Customers must be informed of what customer financial transaction data is being shared, with whom, and for what purpose
6. **Accountability Mechanism** – TPPs are accountable under Canadian privacy laws for the security and appropriate use and disclosure of customer information, and may also be subject to additional requirements under bilateral arrangements
7. **Legal Framework** – Clear risk allocation and responsibility for customer redress must be established to protect customers
8. **Data Accuracy** – Customer financial transaction data must be as accurate and current as possible, and processes for handling inaccuracies should be clearly understood

Any viable approach to open banking must address these principles with sufficient flexibility for the industry to respond to new opportunities and vulnerabilities as they emerge.

We have observed the regulatory response to open banking in other jurisdictions, varying from government-led initiatives in the European Union to market-led efforts in the United States. Canadian FIs recognize the inherent benefits of open banking, and the need for us to protect the security of customer financial transaction data. At the same time, Canada's financial services sector is unique and particularly conducive to private sector collaboration to achieve public policy objectives and improve service options and security for Canadian consumers. Canadian FIs have had great success working together in the past in furtherance of these objectives, including on a variety of issues designed to promote the safety, efficiency, and effectiveness of the financial services sector in Canada. Building on this success, Canadian FIs are working together with TPPs to develop more secure methods of open banking involving the exchange of customer financial transaction data at the customer's request. We look forward to further collaboration on open banking with regulators and other market participants, to ensure Canadians benefit from innovative services in a secure manner.

Sincerely,

