



# Celero Open Banking Response

A Review into the Merits of Open Banking

## Introduction

Celero is pleased to participate in the Department of Finance's consultation on the merits of Open Banking in the Canadian financial services sector.

As the concept of open banking advances globally, Celero is concerned about and focused on ensuring a level playing field for the small to medium sized financial institutions (eg. credit unions), existing and emerging FinTech's, and other ecosystem players in a market dominated by large financial institutions. The needs of this critical segment are unique in an open banking environment and we believe it is vital that as policies and technical capabilities are developed we need to ensure the viability of the small to medium sized institution and the many emerging players that will need simple open access to technology, processes and information. Freedom of choice for end users must be abetted by a healthy and diverse financial service provider ecosystem, regardless of size.

Celero believes that the open banking implementation, standards and controls must be inclusive of all FI participants, including credit unions and new and emerging Fintech, BigTech and other third-party service providers, all engaging themselves in the many aspects of financial services. Celero has a deep understanding and experience within these segments.

### About Celero

Celero offers a unique perspective and value proposition to the open banking ecosystem.

As a Canadian credit union system-owned organization, we bring a rich history and extensive experience serving the information technology, integration and professional advisory services needs of credit unions as well as small to medium sized financial institutions (FIs) and FinTech's across Canada since 2003. Within our world-class infrastructure supported by our two Tier III data centres, we provide clients with end-to-end banking system services and are the custodians of their data - 19% of the credit union system's assets in Canada are held in Celero's data centres representing 1.1 million Canadian consumers and businesses. This includes hosting of banking systems, the associated channels and card services as well as IT managed services. Today, Celero serves over 170 small to medium sized financial services organizations from British Columbia to the Maritimes. Celero has maintained a high level of excellence with a comprehensive, secure and always on network and technology infrastructure, throughout our history.

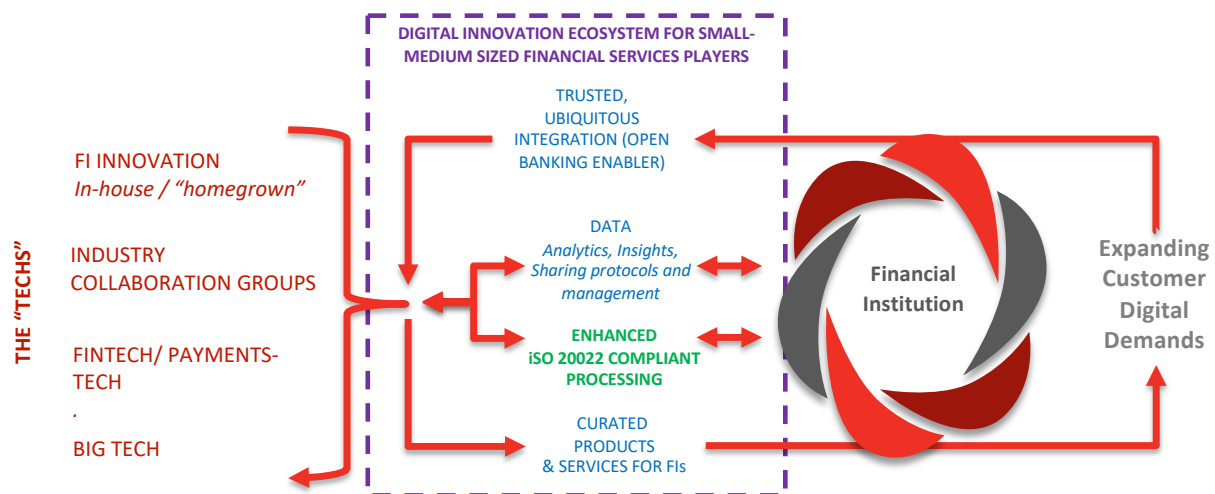
While our robust suite of products and services can meet the needs of any Canadian financial institution, it is our unmatched knowledge of small to medium sized financial institutions and proven track record of serving the comprehensive and unique needs of this sector that makes us a vital part of the financial technology ecosystem in Canada.

Celero is committed to innovation and ensuring that small to medium sized FIs and a diverse ecosystem of service providers continue to thrive for the betterment of consumers and businesses. We currently integrate to multiple service providers and support multiple integration standards. Our Integration Service (API gateway) provides an affordable way for financial institutions and solution providers to rapidly offer customers with new capabilities without the complexity of managing different standards for sharing data between products and partners. We are in the process of creating a 'Fintech sandbox' to encourage collaboration and provide opportunities for emerging FinTech's with the intent to reduce time to market in a highly regulated environment. We are committed to adopting the standards,

controls and access requirements as they are defined in order to enable this democratic and open participation. We have been hard at work creating a foundational technology ecosystem to help all these segments better manage the complicated array of technologies they need to integrate their operations in a manner that optimizes their unique strategies to serve customers. This results in a dynamic, accelerated model where the balance between Celero screened and business client selected solutions can both be accommodated and brought to market in an agile fashion.

In a highly regulated environment with cyber security threats always on the horizon, our vision is a technology platform agnostic digital ecosystem that can be leveraged by financial institutions of all sizes and FinTechs, through open APIs. Our platform allows these stakeholders an open banking environment to work together to identify and invest in innovation or build a path of their own. It also makes the expanding universe of Celero’s multiple strategic partnerships with large and smaller global suppliers more robust, by impelling all parties to adapt their processes and capabilities to align with a more open API based and agile solution provisioning environment. In addition to accelerating speed to market using this platform’s plug and play capabilities, we will leverage our expertise and knowledge of the Canadian and global markets to provide strategic advice on digital transformation generally and open banking capabilities specifically.

### Celero Open Digital ecoSystem.



Celero is actively engaged and working to meet Payments Canada schedule for modernization. Working closely with small to medium sized financial institutions, Payments Canada directly and numerous strategic industry players, Celero is active in readying its technology ecosystem to provide applications and platform integration solutions to ensure credit unions and FIs are prepared for the ISO20022 standard.

With the implementation of Celero’s integration service, Celero is positioned to make available this technology to support the Payments Canada Real Time Payment Rail. Celero is committed to ensure all

our clients have access to and are supported in all future payments, open banking and modernization initiatives. Celero has been actively monitoring the global evolution of open banking, in areas such as Europe where the disruption and adjustment to this phenomenon is already well into play.

## Conclusion

Celero aligns with and endorses the Department of Finance in their approach to and examination of Open Banking.

Open Banking should encourage competition in a fair and efficient manner. Financial investment and transformation will be needed for all small to medium sized FIs and FinTechs to enable innovation and full participation by these segments in this open banking ecosystem. The engagement of a more focused and affordable model for this segment will make for a healthier and more prepared financial services sector overall. As guiding principles, standards and technology specifications are initiated, Celero is committed to be an advocate and working partner to ensure competitive participation within all segments of the Canadian financial industry. Celero will actively support and participate in the Open Banking framework and development of Canadian technical specifications.

We will continue to invest in this journey as an integrator and developer of solutions to advance the needs of credit unions, FinTechs and small to medium sized FIs in the Canadian marketplace to establish a democratic, secure and open environment to facilitate open banking services that will improve the well being of consumers.

## Benefits of Open Banking

*Would open banking provide meaningful benefits to and improve outcomes for Canadians? In what ways?*

Open banking should focus on the consumer with safeguards to protect their privacy and security and deliver a consumer experience that engenders trust and confidence in the ecosystem. The open banking framework will need to support this experience and include both these safeguards and establish trust through effective problem resolution guidelines that make the consumer whole.

Open banking should enable a diverse set of service providers (credit unions, small to medium sized FIs, and third-party providers such as Fintech) to democratically participate in the financial ecosystem. Ecosystem participants will have easier access to secure consumer data to uncover new insights which will drive more opportunities to collaborate fostering innovation in Canada and beyond in global markets.

New products and services can be created through collaboration and co-operation made easier by removing the complexity of incumbents negotiating contractual agreements across multiple Fintech partnerships and managing the associated ongoing risks and liability. Services can be bundled to create new forms of value to consumers. The overall delivery chain should become more efficient, thereby increasing the pace of new products and services to the market, removing friction, increasing reliability and improving consumers' experience. As a result, consumers will have more choice, enhanced access, more control and transparency over who has access to their data. Open banking will allow for consumers to leverage the tools and have the confidence to effectively manage their finances holistically while also making it easier for them to access the most cost-effective options.



Open banking will permit providers with access to more diverse data sets which in turn will enable products and services to be tailored to the needs of individuals, thereby promoting greater inclusion and options for consumers. The increased competition within a diverse ecosystem coupled with greater transparency will better equip consumers to make informed decisions and obtain fairer solutions.

Currently, third-party providers and some financial institutions encourage consumers to link their accounts by sharing their online login credentials to obtain value-added services and more effectively manage their money. This practice of screen scraping to retrieve data places consumers in violation of their agreements with their financial institutions, exposes them to risk and is fraught with connectivity and experience issues. With Open Banking, consumers will no longer need to share their credentials with the third-party provider, the service will be more consistent, reliable and secure. The risk will be mitigated as liabilities between providers will be more clearly delineated.

Celero supports an open banking ecosystem that encourages the inclusion of a large and diverse set of ecosystem participants. Open banking should be driven by standards, governance and guiding principles to be efficient and fair to ensure the cost of entry does not become too burdensome or complex - a model that cultivates innovation, encourages co-operation and enables access for the wellbeing, privacy and security of all consumers.

## Open Banking Considerations

*In order for Canadians to feel confident in an open banking system, how should risks related to consumer protection, privacy, cyber security and financial stability be managed?*

### Consumer protection

Some consumers may lack the data management skills and digital literacy to effectively manage their data across different providers and lose track of which providers have access to their data. Public education and the provision of mechanisms for consumers to better understand which providers have access to their data at any given point including the ability to revoke the data at anytime, will enable consumers better control over their data.

In order to ensure consumers are protected and encourage ecosystem participants work actively to that end, clear processes for problem resolution and expectations of each participant need to be defined to bolster consumer confidence and ensure efficiency.

### Privacy

In addition to using clear and plain language when obtaining consent to share data, consumers will need a way to clearly identify that the data and specifically what data is being obtained through the trusted ecosystem and not through screen scraping or other means that may place the consumer at risk. Considerations like digital identity and a markedly new way to authenticate the customer, the task flow to provide login credentials may be very similar between current methods and the open banking ecosystem participant. Screen scraping and similar practices that place the liability on the consumer should be actively discouraged or phased out through regulation.

## Cyber security & Accreditation

To ensure the security and soundness of the open banking ecosystem, a national framework is needed to enable cybersecurity and fraud knowledge sharing and encourages participation in detection and prevention activities across trusted relationships. Standards are required that maintain the security and integrity of the ecosystem today but is future-thinking and ensures the system adapts ahead of emerging threats. Security and audit standards and accreditation across players in the ecosystem is needed. The accreditation process should not be a barrier to entry and similar to the Australian framework, a tiered risk-based accreditation model should be considered which has leveraged existing licensing regimes with the intent to minimize costs to participants.

A mechanism is needed to determine the status of participants to facilitate safe data sharing. Governance and monitoring of adherence with the ongoing evolution of standards need to be established. There is a risk that all participants may not move quick enough to adopt new standards as they emerge.

Digital identity will be a critical component of ensuring both privacy and managing security into the future. Public education and awareness will be key to a successful roll out of digital identity. Once it is in place, open banking will gain more confident adoption and mitigate risks associated to identity verification.

## Supplier qualification/fraud protection

With the ever expanding field of mainstream and niche financial services and applications providers in the global market, it is increasingly challenging for both consumers and financial institutions to assess and select reliable providers and new solutions.

In an open banking world, it will be even more important that security and quality assurance filters and alerts are developed to identify reliable vs suspect providers and claims. Collaboration between trusted service providers, government agencies and clients, along with standard end user checks will be essential to avoid wide scale fraud and malicious practices in the financial services sector.

## Implementation of Open Banking – The role of the Federal Government

*If you are of the view that Canada should move forward with implementing an open banking system, what role and steps are appropriate for the federal government to take in the implementation of open banking?*

In defining standards for Open Banking, learnings from other jurisdictions such as the UK, Australia and the EU should be considered. For example, in the UK multiple standards were defined in parallel with additional effort required to harmonize them into one common standard. To facilitate an efficient implementation of Open Banking and the accreditation process by defining an open standard API will

accelerate the adoption and roll out of open banking while democratizing access. The creation of these standards should be defined in participation with diverse stakeholders, not only the federally regulated banks, to ensure the standards are inclusive and represent the needs of the future ecosystem. Without participation from all, multiple standards could emerge from provincial jurisdictions or coalitions which will limit the opportunity for competition and enable global participation.

Adopting one set of standards will reduce complexity improving security management and will add efficiencies and reduction in costs. Set API standards will drive fairness within the ecosystem. Additionally, it will be more effective for regulators to perform audit functions and access standardized data across providers.

Given the interconnectedness and implications, a mechanism to share and align standards and learnings across open banking, payment modernization, and digital identity initiatives may be warranted. However, we believe that these initiatives should continue in parallel and not prescribe staging or delaying progression of any of these initiatives.

Standards should be written with the close involvement of the Government of Canada, experts, industry participation and include lessons learned from other jurisdictions with a view to future global standards. These standards should include a body that initiates the standards, implementation of the standards, governs the standards and provides an ongoing review to ensure they continue to evolve with innovation and security pressures that open banking will bring.

The Department of Finance should also consider the adoption of a liability framework which would include the allocation of responsibility for each participating party including the consumer. It will be easier to establish this liability framework first as the basis to inform the legal and technical frameworks. All ecosystem participants will need to have the financial capacity including the appropriate insurance to protect consumers. As part of the implementation, it will be critical that there is a clear understanding of liability and process standards defined. Without this framework, the risks for consumers and participating parties will be unknown and, therefore, impact the confidence and adoption of the Open Banking model.

### Implementation considerations

Consideration to the approach and timing of opening of the market while Canadian financial service providers move to adapt to open banking ecosystem conditions is needed to avert the unintended consequences of having existing or emerging high quality Canadian players failing before they have been able to invest and adjust fully for the new environment requirements.