



Coast Capital Savings Federal Credit Union
Response to the Initial Public Consultation Paper

A Review into the Merits of Open Banking

February 11, 2019



1. INTRODUCTION

Coast Capital Savings Federal Credit Union welcomes the opportunity to provide a submission in response to Finance Canada's consultation paper on the merits of open banking (the 'Consultation Paper'). We fully support Finance Canada's commitment to a financial sector that promotes competition while also ensuring financial stability, and endorse the government's position that open banking has the potential to deliver increased consumer choice for Canadians.

In November 2018 Coast Capital became British Columbia's first credit union to be granted federal credit union status, and just the second federal credit union in Canada. Coast Capital is poised to soon begin offering the exceptional service our members have trusted for over 78 years to more Canadians, including all the benefits that go with being member-owned: the ability to put our members' interests first, a focus on financial well-being, exceptional service, and significant investments in our communities.

In recognition of our unique role as a credit union that is federally-regulated, Coast Capital Savings is a member of both the Canadian Credit Union Association (CCUA) and, as of January 2019, the Canadian Bankers' Association (CBA). While we support many of the points made in the CCUA and CBA submissions to the Consultation Paper, in recognition of its unique role Coast Capital Savings wishes to highlight a few specific issues. We believe our responses captured below align with and support the policy objectives guiding the review: efficiency, utility, and stability.

Coast Capital looks forwards to continuing to work with the federal government, as well as with the CCUA and the CBA, to fully explore the opportunities and risks that open banking presents for Canadians.

2. THE MERITS OF OPEN BANKING

As a credit union, Coast Capital is member-centric. Our customers are our members, and they are also our owners. This focus on our members gives credit unions the unique ability to focus, first and foremost, on our members' financial well-being. Coast Capital sees open banking as a development that would give our members more control over their financial data, enabling them to have greater choice and better access to innovative services and products that enhance financial well-being. With the right framework and strong government and private sector engagement, open banking could give more power to Canadians to achieve what's important in their lives.

Empowering Consumers

Coast Capital is a strong proponent of leveraging technology to make banking simple and accessible for our members. We have a track record of innovative digital services that offer our members a seamless banking experience, and continue to invest in new and emerging technologies, including this year in a new innovative digital banking platform. We recognize that investing in technology is capital-intensive, and see national expansion as integral to ensuring

we have the resources required to invest in the technology that our members deserve and expect, including that required to participate in an open banking framework.

Increasing Choice

Open banking can enable innovative and competitive services and products. When implemented correctly, open banking makes possible the development of new services that can benefit consumers, including small businesses. By allowing consumers to manage their own data, open banking can enable consumers to choose the products and services that best meet their needs, rather than being restricted to a single institution. Coast Capital notes that transparency of data enables integrated services without data hosting, and so we are not concerned about account switching. On the contrary, we believe that if given the choice, consumers will appreciate the member focus that federal credit unions provide.

Evolving in a Digital World

Coast Capital urges that the open banking framework be multidimensional, with regulations for privacy and business rules, and standards for security and APIs. Extendable standards would ensure the framework can adapt to constantly-changing market conditions and consumer expectations. Creating an open standard will promote innovation and ensure that the financial services sector in Canada remains competitive, sustainable, and stable. Coast Capital notes that open banking is one of many digital technology changes that will result in a fundamental evolution in the financial service sector over the next 10 years. As a member-centric financial institution, we believe it is imperative we position our credit union to thrive in an API economy, of which open banking is an integral element.

3. ENSURING CONSUMER CONFIDENCE BY MANAGING RISKS

As the Consultation Paper notes, any risks will have to be well-managed in order for Canadians to feel confidence in an open banking system. Canadians rightly expect the highest standards with regards to consumer protection, privacy, cyber security, and financial stability. Protections around financial data in particular must not only be of the highest caliber, but also be perceived as such by consumers. This paper touches below on a few risks that Coast Capital urges the government to consider, in addition to those noted in the CUA and the CBA submissions.

Protecting Privacy

Open banking permits consumers to use their own data to receive more tailored services, improve financial literacy, and gain new insights into how to manage their money. This power must also include having a choice as to what data will be shared, and how and when that sharing will occur. As is noted in both the CUA and the CBA submissions, any open banking framework must ensure both that the highest standards are set in legislation, including through the *Personal Information and Electronic Documents Act* (PIPEDA), and that consumers are provided with the clear, understandable information required for meaningful consent.

Certification of Parties

Coast Capital urges the government to ensure that any open banking framework has adequate measures to determine which parties are competent to participate. This could take the form of service registry with a rigorous process for certification, including a mandated set of competence thresholds to be met. Further to this, for equality, such a registry should not be discretionary for retail deposit-taking institution; if a person banks with an institution that chooses not to participate in a particular service, they would be disadvantaged against a person who banks with an institution that chooses to fully participate, as the latter would enjoy full benefits of open banking.

Creating a Level Playing Field

Coast Capital Savings believes that any open banking framework must ensure that fully registered and certified open banking third parties cannot be refused access to an open banking Application Programming Interface (API), if the customer in question has given consent. We urge the government to ensure that all parties deemed eligible under the certification process be given full access, and note that refusing consensual access to third parties goes against the purpose of open banking. That said, as noted above we do stress the importance of strong regulatory oversight and the ongoing certification of all parties as being competent and trustworthy.

Aligning with Payments Modernization

Coast Capital agrees that, if the open banking framework includes payments initiation, there must be careful consideration to ensure that this is properly aligned with payments modernization. While we do not have reason at this time to take a position that real time payments rail must necessarily be a prerequisite to open banking, we do urge that the Payments Canada modernization be developed deliberately and with full consideration of any implications for regulations and processes.

Ensuring Competition by Supporting Smaller Institutions

Coast Capital recognizes that some smaller institutions are concerned about the cost of implementing new technology that might be required to participate in an open banking framework; however, we also believe that credit union members should not be deprived of the benefits of an open banking system. We believe that, as the largest credit union in Canada by membership, we have the capacity to partner with smaller credit unions to ensure that members are provided with the opportunity to access the true value of an open banking framework. We would also encourage the government and the sector to ensure that smaller credit unions have the opportunity to collaborate on open banking technology through central credit unions, as many do currently for products and services.

4. ROLE OF THE FEDERAL GOVERNMENT IN IMPLEMENTATION

The Canadian financial services sector is well-regarded worldwide as stable and well-regulated, particularly following the 2008 global financial crisis. The implementation of open banking in Canada must maintain the federal government's lead role in setting high standards that promote competition and consumer choice while ensuring stability and economic growth. While open banking presents promising opportunities, in order for the framework to live up to those promises we must get it right. That includes ensuring that the federal government has well-developed and resourced mechanisms to monitor adherence to standards and enforce compliance, in addition to the considerations outlined below.

Provincially-Regulated Financial Institutions

As outlined in the Consultation Paper, provincially-regulated financial institutions are beyond the direct scope of this consultation. Coast Capital wants to acknowledge that there are significant differences between federal and provincial regulatory regimes, and urges that, if this discussion occurs during implementation, the federal government ensure these differences are taken into account. In doing so, it will be important to ensure that standards for consumer protection, privacy, and cyber security are consistent across all participants in an open banking system, regardless of the jurisdiction of incorporation and regulation.

Independent Public Education Body

Coast Capital Savings urges the government to consider the importance of ensuring a national independent body is provided with the resources and responsibility for building public awareness of the socializing and educating Canadian citizens in open banking, whether by providing resources and responsibility to an existing body or creating a dedicated one. Topics would include the benefits of open banking, where to find open banking products and services, cybersecurity in an open banking system, and meaningful consent.

Consumer Redress

Coast Capital Savings would like to note the importance of policy and procedures for ensuring the availability of consumer redress. Consumers who take issue with a particular product or service that has been consented to can seek redress against misuse of data against fraudulent activity, or against misrepresentation of the service marketed. The development of a framework would therefore include strong enough oversight to apply penalties for such areas of non-compliance. As above, this role could be fulfilled by an existing body, such as the Financial Consumer Agency of Canada (FCAC), were it to be resourced accordingly.