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**Jeff Macoun**

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The Advisory Committee to the Open Banking Review / Financial Institutions Division  
The Financial Sector Policy Branch  
Department of Finance Canada,  
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**Re:** Department of Finance consultation document, *A Review into the Merits of Open Banking*.

Great-West Life Assurance Company appreciates the opportunity to respond to the Department of Finance consultation document, *A Review into the Merits of Open Banking*.

In considering our response, it will be helpful to note the specific context of our organization. The Great-West Life Assurance Company's purpose is to improve the financial, physical, and mental well-being of Canadians. Together with its subsidiaries, London Life Insurance Company and The Canada Life Assurance Company, Great-West Life serves the financial security needs of more than 13 million people across Canada. We operate in every province and territory, with over 11,000 employees and 23,000 distribution partners. Annually, we pay more than \$2.4 billion in life insurance claims, as well as 58 million health and dental claims and more than \$800 million in annuity payments. Great-West Life is a wholly owned subsidiary of Great-West Lifeco Inc., which also has operations in the United States and Europe, with approximately 23,000 employees worldwide and over \$1.3 trillion in consolidated assets under administration.

We support the Government of Canada's decision to explore open banking (OB), and believe a considered and thoughtful implementation will benefit Canadian consumers, businesses, and our economy. At its core, OB is about recognizing consumers' rights to control their own data and will enable people to more easily access the services that best meet their needs. A strong OB framework will drive innovation by harnessing new technology and tools to enhance consumer choice and experience, while promoting economic growth and lowering barriers to market entry. At the same time, any successful implementation of OB will ensure that consumers' privacy is a top priority, recognizing how this new framework can provide opportunities to better protect Canadians' data.

We encourage government to approach OB with a number of key principles in mind.

- **Access to data:** Canadians have the right to control their data and to securely access it and share it with third parties
- **Balancing innovation and privacy:** Canada will strike a balance in OB to achieve the best outcomes for consumers by embracing innovation, while still maintaining a high-standard of consumer protection, particularly in terms of privacy and cybersecurity
- **Promoting competition:** To promote competition within Canada, as well as ensure Canadian companies remain globally competitive, Canada's approach to OB will support the soundness and resilience of our financial sector by establishing a level playing field
- **Ensuring clarity:** Rights, responsibilities and timelines will be clear to all participants
- **Harmonization:** Government will ensure that the technical standard for data sharing is common, non-proprietary and globally compatible, so that participants in OB compete on the services they provide but not on the standard itself

The consultation paper notes this phase of OB will focus on banking "in respect of financial transaction data (e.g. withdrawals or account balances) from federally regulated banks." If the principles of open data are going to expand to other areas, this should occur thoughtfully after further stakeholder consultation. This may include engagement with other levels of government.

It will be essential that Canada establish appropriate transition periods as we embrace OB, to allow time for both consumer education and financial institution compliance with the significant new regulatory framework that will have to be developed. In terms of timing, we encourage government to strike a proper balance that does not advantage the banking sector and its related products to the detriment of other sectors which may enter the OB framework at a later stage in the process. Otherwise, the continuing challenges of market access in competition with banking incumbents will continue to exist. Harmonization and recognition of Canada's OB principles is also a key consideration, not only within the country, but with international jurisdictions. We were pleased to see the consultation paper's attention to OB developments in other countries and expect the government will adapt international requirements and standards as appropriate, to suit the Canadian context.

The following will address each of the federal consultation paper's questions in turn.

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

OB provides many potential benefits for Canadians.

**Innovation drives more choice and better service**

- OB opens the door to innovation in financial services and more broadly across the Canadian economy. Many different sectors will benefit as they earn consumers' trust and can then use data to improve services, drive competition, and lower prices.

- OB will drive consumers towards simpler, clearer and more plain language financial services, all available at their fingertips. Consumers will be able to easily access a full view of their financial information for better financial planning. They will also be able to easily share this information with financial advisors, who can then provide advice that is better-informed and based on a holistic understanding of their client's needs.
- In life and health insurance, as well as other financial services, consumers' ability to share their banking data will mean more efficient, streamlined services, as well as more personalized products to meet people's needs.
- OB efficiencies will also mean less red tape for financial advisors: they will be able to spend less time chasing down paperwork from various financial institutions, and more time directly serving their customers.

#### **Greater and more secure access to financial services**

- If implemented properly, OB will enable innovation without compromising, and in fact enhancing, consumer protection. In other words, it will allow Canada to keep pace with global change while preserving consumer confidence and the stability of our financial system: we discuss this more fully below.
- OB will also provide our sector with the potential to use new technologies to more easily reach traditionally underserved populations. Using the data provided under OB, service providers can then offer improved financial products, advice and planning to those who may not have accessed it in the past.
- For small businesses, OB will increase access to financial services, thereby supporting investment and growth. For example, OB will provide easier access to working capital as companies make use of new data and analysis to underwrite loans for businesses that may struggle to obtain credit through traditional methods. As noted in the consultation paper, OB can also streamline and reduce the cost of financial services like billing and bookkeeping for small businesses.

## **2. 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? Views are welcome on whether cross-sector or sectoral responses are most appropriate.**

- In order for Canada to maximize the benefits of OB, government must work closely with the financial sector to mitigate risks and bolster the security of the system. We believe the benefits of OB extend to its potential to improve consumer protections.
- As noted above, as a general principle, any new regulations should aim to provide a harmonized approach across Canada and achieve equivalency with other jurisdictions as appropriate.

#### **Privacy and cybersecurity**

- Most Canadians would agree consumers' privacy must be a top priority for all participants in OB, and that this is closely tied to cybersecurity.
- Already, there is a demand from consumers for better aggregation and access to financial data. As noted in the consultation paper, this is currently being provided largely through screen scraping. By introducing

Application Programming Interfaces (APIs) and eliminating the need for screen scraping and other unsecure transmissions of data, OB would actually enable financial institutions to meet consumer demand through a safer and more secure model.

- To support consumer confidence and maintain the soundness of the financial sector, any OB framework will need to speak clearly to privacy breaches and existing requirements: how breaches will be prevented, and how participants will be expected to respond if one occurs.
- Many international jurisdictions have recently introduced new privacy frameworks. Canada will need to consider and achieve equivalency with these requirements to ensure that Canadian companies operating globally are not disadvantaged.

#### **Prudential risks to financial institutions**

- One of the goals of OB is to encourage market competition, democratize and broaden access to financial services, and thereby drive improvements for consumers.
- Canada's financial services framework has sought to avoid asset concentration and associated risks to the financial system. As data becomes a valuable commodity it will be likewise important to avoid data concentration and associated systemic risks to Canadians' privacy.
- Canada's OB framework should encourage competitiveness and protect against the potential for asset concentration or dominance as it relates to data. If the goal of OB is to encourage a healthy and competitive market, there must be safeguards in place to prevent any one player from controlling disproportionate amounts of Canadians' data.
- To promote competition in the financial sector, Canada has maintained a separation between banking and insurance, including referral arrangements. This has served the country well, contributing to the stability and resilience of the system. As Canada moves to embrace new opportunities through OB, it will be important to maintain the foundational pillars of our financial sector. We strongly encourage government to recognize the importance of this continued separation in driving competition for the benefit of Canadian consumers.
- In order to maintain competitiveness, government will also need to ensure institutions performing similar activities are held to similar standards; not only as these relate to protection of privacy and cybersecurity, but also in terms of conduct and prudential requirements.
- Any government initiative for OB should also aim to ensure no one service provider or type of provider receives an advantage that inhibits healthy competition for services: for example, unregulated entities, by virtue of the lack of restrictions they face on their activities.
- Finally, to ensure Canada can take full advantage of OB opportunities, government should establish a framework where companies compete on services, but do not compete on technical standards for data sharing. Technical standards should be common, non-proprietary, and globally compatible.

- 3. 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? Should payments initiation ultimately form part of an open banking framework?**

- Government's role in OB will be crucial. Government will need to establish appropriate regulations in consultation with stakeholders to promote innovation and simplicity of service. In developing an OB framework, government will need to balance innovation with consumer protection requirements and work together with industry to build consumer trust in the system.
- In addition, government will have a role to play in consumer education and awareness. Consumers of all ages will need to understand not only the potential benefits of OB, but their rights and responsibilities, and be comfortable with privacy and security safeguards in particular.
- Government and regulators will also need to work together to determine an appropriate vetting process for third parties who will be receiving consumer data. Any entity that is trusted to provide financial services and/or hold consumer financial information should be expected to follow both existing and new regulations that keep Canadians safe. This will be essential to protect the reputation and stability of our financial sector and to encourage consumer uptake of OB.
- In developing new requirements, we encourage government to carefully determine what elements of OB are best addressed by laws and regulations versus technical standards, as well as how to ensure the system can nimbly respond as new technologies and activities develop.
- Government can also play a role in the coordination of OB to ensure stakeholders are consulted on potential collateral impacts in areas such as Artificial Intelligence (AI), outsourcing, and others.
- As in the United Kingdom, we encourage government to bring discussions relating to payments initiation into the OB consultations to achieve benefits for consumers and our economy. This will encourage innovation and competition in the payments space to be coordinated alongside changes in OB.

We would like to again express our thanks for the opportunity to provide input on this important policy matter that has such potential to transform the financial services industry. Great-West Life looks forward to the evolution of this discussion and in participating in the upcoming Roundtable that the Advisory Committee is hosting in Toronto on February 19<sup>th</sup>. Please do not hesitate to contact us to discuss any point raised in this submission, or the issues facing the sector more generally.

Yours,

  
Jeff Masoun  
President & Chief Operating Officer, Canada