



The Advisory Committee to the Open Banking Review/Financial Institutions Division
The Financial Sector Policy Branch
Department of Finance Canada,
90 Elgin Street, Ottawa, ON K1A 0G5
Email: fin.OBBO.fin@canada.ca

Feb 11, 2019

Dear Advisory Committee to the Open Banking Review,

While you asked for feedback on three core questions, which we provide below, we thought it worth beginning our feedback with an overview of our guiding principles on open banking and our view of the current state of electronic banking data.

At the forefront of any discussion of banking, it should be acknowledged that there are key principles that should be adhered to at all times. These principles should, of course, be adopted into any framework of open banking.

1. **Security** - Security not only of customer data but the entire electronic banking infrastructure.
2. **Transparency** - Transparency in terms of what and why data is being accessed, and what the customer is expected to receive in return. Transparency should be balanced against information overload. Too much transparency can tip over into the world of inadvertent obfuscation. A balance, with the customer experience and knowledge as a priority, must be achieved.
3. **Control** - Customers should have ultimate control over their data. Specifically, how the data is being used, the authorized length of time that the data can be accessed and who exactly will be granted access are of pivotal importance.

We believe it's of critical importance to point out that many of the outcomes of open banking are already being achieved today, but in an entirely ad-hoc and insecure way. Startups and banks alike are "screen scraping" their competitors. Customers are routinely expected to give their full online bank credentials to websites from incumbents to startups alike. This information is being collected today in order to allow startups and incumbents to complete Know Your

Client (KYC) procedures and to access detailed banking data that is being used as an input to loan underwriting algorithms. This banking information, both the core credentials as well as the line item information is routinely being stored with barely any customer consent.

While there are many benefits to individual consumers, this routine sharing and storing of data has the potential to create systematic cyber-risk within our consumer banking sector that should not be ignored. Consumer and small businesses alike, representing capital in the hundreds of millions of dollars if not billions, are entirely, and unnecessarily, exposed to potential fraud and hacking today.

Considered through this lens, rapid adoption of a secure, transparent and controlled open banking architecture should become a national priority.

Would open banking provide meaningful benefits to and improve outcomes for Canadians?

We believe Open Banking would increase competition in the current financial services market, allowing for innovative solutions to make their way to market more rapidly, to the benefit of the consumer. These innovations, leveraging technology, will allow consumers to be better served which will help improve their financial outcomes. Current innovative fintech solutions will also benefit from open banking as they will be able to use secure and safe rails to access customer data without inadvertently exposing underlying accounts and funds.

A consumer-centric approach to Open banking is critical. By empowering consumers with the tools to manage the distribution and access of their personal financial data, consumers will provide access to their data to services that improve their overall financial health. Innovative startups and incumbents will compete for access to this data by improving their financial service offering and by increasing financial inclusion. We have already seen significant innovations in lending and credit products, KYC and anti-money laundering (AML) processes, consumer cash flow management tools, wealthtech and savings products, insurance and other financial protection - and we are still in the very early days in terms of financial innovation.

We believe the timing of Open Banking's adoption is key also from the perspective of the Canadian fintech sector as a whole. Moving fast and deliberately in North America, will allow Canada to leverage its Financial Services expertise and talents, grow its own third-party FinTech ecosystem and export this know how to other countries. Following on the example of the UK,

which led the way in Europe with Open Banking and is now well known for being a Fintech friendly ecosystem. It would be highly detrimental to our financial services sector if we become solely an importer of financial technology from countries that are early adopters of open banking.

We will re-iterate that Open Banking will increase the security to the Canadian consumer by eliminating the need for sharing of banking passwords with screen scraping technology. These technologies routinely store customers banking credentials, their online portal username and passwords which are susceptible to hacking, leaving our financial system exposed to systematic risk. These credentials can be used to move money from one bank account to another with no oversight.

Another very important and significant outcome that is likely to be derived from the adoption of Open Banking in Canada is a lowering of the costs Canadian currently pay for their banking services. Successful deployment of Open Banking in the Canadian marketplace should, therefore, significantly improve access to basic financial services to the large number of underbanked Canadian citizens.

Benefits will accrue to consumers and small businesses through better access to basic financial services such as checking, savings & credit as well as investment management tools and alternatives. In today's banking system in Canada, financial services institutions are often incentivized to offer their complete service offering to their top customers only. Unfortunately, this approach leaves the average Canadian customer with material unmet needs in areas such as investment management, insurance, credit and savings products. In an Open Banking environment, a bank's services can reasonably be expected to undergo an "unbundling" as many innovative startups leverage technology, and low costs, to offer multiple services to ALL Canadians - irrespective of their financial means.

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?

Ideally, the department of finance, through the appropriate regulator, not only sets the legal framework through which open banking operates but also specifies the common technical implementation interfaces. These clear standardized requirements would enable all ecosystem participants to operate on a level playing field. This level playing field is ultimately what will lead

to both confidence in the system by the consumer as well as minimizing the risks related to protection, privacy, cybersecurity and financial stability.

Further, we recommend that all parties on the system who could be granted direct access to consumer accounts be licensed to do so by the regulator. However, we caution that this licensing process, in order to facilitate innovation, would need to be consistent, transparent, objective and timely by design.

There is a need for stronger data protection regulations. With Open Banking, third parties are given the right to access and process personal data, and we believe there is a need to limit the use of such data to specific purpose limitation, data minimization and storage limitation. Following on from the example of the EU, both PSD2 and GDPR adoptions happened simultaneously. By giving consumers tools to control their personal data, access to third-party providers can be selective and at the discretion of the consumer. For example, a consumer may elect to allow a third party mortgage provider access to bank data that is strictly relevant for the purpose of completing a mortgage application - nothing less, nothing more! Data that may reveal intimate personal details remains hidden - available only to the customer. In contrast, today customers shopping for a mortgage might give mortgage providers access to their entire financial data set by handing over their online banking credential (usernames and passwords!) unknowingly undermining their privacy as well as online security.

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?

Given the national importance of Canada's banking system to all Canadians, we recommend that the department of finance consider a national level regulator to handle the design and implementation of Open Banking in this country. Given the existential threat to our banking sector by foreign fintechs, Canada's leaders must move deliberately and with urgency towards an orderly implementation of Open Banking in this country.

Canada's current Financial regulators (OSFI) are among the best in the world! Their intimate understanding of the global financial system has allowed Canada's banking system to navigate some of the most challenging financial crisis over the last decades. In our opinion, Open Banking represents the single most important evolution that our banking system has faced in



over 50 years. Our regulators must be given the resources needed to ensure that Canada successfully executes the unavoidable transition to the future of banking.

We believe the time has come for Canada to move forward with its Open Banking initiatives. The pace of change must allow our storied financial institutions to work with federal and provincial regulators to coordinate an orderly process. We have little doubt that Canada's banks and FIs will embrace the opportunity that Open Banking will present them both on a local and global stage.

Finally, we believe the scope of open banking should be as fulsome as possible. We have the opportunity to leapfrog the UK and EU which currently include data sharing on consumer checking and credit accounts only. Canada's open banking implementation should match UK/EU standards and move past these by also including small business checking and credit accounts, investment accounts and digital payment initiatives.

About Impression Ventures

Impression Ventures is a leading Canadian independent fintech-focused Venture Capital Firm with offices in Toronto and Montreal. The firm leads late seed or early Series A financing rounds for start-ups by making a first investment of approximately \$1.5M. Post financing, the team follows up with extensive and ongoing support. Impression's team of partners and advisors have significant experience as entrepreneurs, software engineers, product managers and financial services executives. Impression Ventures has provided Seed and Series A capital to portfolio companies including Wealthsimple, Sensibill, Brim Financial, Symend, Goose Insurance, Elefant.ai and Finaeo. For more information visit <https://impression.ventures/>

Best regards,

Maor Amar & Christian Lassonde
Managing Partners, Impression Ventures Inc.

Impression Ventures Inc.
2300 Yonge St, Suite 2003, Toronto, ON, M4P 1E4
maor@impressionventures.com or christian@impressionventures.com