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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

Submitted via Email: fin.OBBO.fin@canada.ca

**Re: Invitation for comments: A Review into the Merits of Open Banking
Submissions of Mylo Financial Technologies Inc.**

Dear Sirs and Madames,

In January 2019, the Advisory Committee to the Open Banking Review (the “**Committee**”) invited Canadians to provide written comments surrounding their views on the merits of open banking in Canada.

Mylo Financial Technologies Inc. (“**Mylo**”) is a Montreal-based Fintech start-up founded in 2016 with the social mission of helping Canadians achieve their financial goals and promoting accessibility of low-cost saving and investing services. In July 2017, Mylo launched a micro-savings and investment mobile application (the “**Mylo App**”). To date, the Mylo App has been downloaded over 300,000 times. Mylo is currently helping over 115,000 Canadians save and invest for their future, many of these for the first time in their lives. Mylo is one of the fastest growing Fintech companies in Canada.

The Mylo App allows users to round up their everyday purchases and invest their spare change in a low-cost professionally managed investment account in order to achieve their financial goals. In 2018, we augmented this primary value proposition with the launch of recurring deposits, one-time deposits, and tax-advantaged accounts. In the near future, we aim to use machine learning in conjunction with financial and transactional data to make personalized recommendations that will help our users make better financial decisions.

Our client base is rather unique in the Canadian financial services industry as we have achieved excellent traction with younger Canadians, particularly the “*Millennial generation*”. Our user base is highly concentrated: 85% of our customers are between 20 and 34 years of age, with a mean average of 29. This is a very young customer base when compared to traditional financial services providers or even to Mylo’s FinTech peers, and we hope to bring insights which we believe to be unique to this demographic segment.

We welcome the opportunity to provide the Committee and the Department of Finance with our comments and views on the merits of open banking in Canada.

We address below each of the three (3) questions that are the focus of this consultation.

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

1. *Strengthening Canada's competitiveness internationally*

A number of foreign jurisdictions have already adopted frameworks for open banking, and several more are currently considering how to structure an open-banking environment. We believe and submit that open banking will provide numerous meaningful benefits to Canadians, and we strongly urge the Committee and the Department of Finance to deploy all necessary efforts to ensure that a regulatory framework supporting this initiative is implemented in Canada as expeditiously as possible.

Our sense of urgency in this regard stems from a desire to enhance the competitiveness of Canadian Fintech companies. If Canada lags behind the rest of the world, Fintech innovation will happen in other markets. Those innovations will eventually be imported into Canada, and foreign companies will dominate the Canadian marketplace. A Canadian Fintech ecosystem that creates innovations and economic growth for Canadians and that is competitive in the global marketplace depends heavily on the legal framework of the Canadian financial system not falling behind global benchmarks.

Fintech promises to increase choice and convenience for Canadian consumers, while also lowering prices and frictions existing in the marketplace today¹. We believe that Canada needs to equip itself with a modern regulatory framework which supports the success of Canadian Fintech in today's worldwide digital economy.

2. *Promoting innovation*

Based on the experience of other jurisdictions having already examined these questions, we know that open banking stimulates investment and innovation in platforms and programs that will help consumers improve their financial well-being. Services will be more insightful and intuitive. With more competition and transparency, products offered to Canadians will be better priced.

We believe that open banking will help bring about higher-quality services to Canadians through improved data analysis and automation of services, or through better pricing. Another dimension of benefit is that online or mobile platforms have allowed for easier access to services by traditionally underserved segments of society. Mylo is a perfect example of this. Mylo offers its clients financial asset management at a fraction of what the traditional asset management firms charges. As one of the first low cost portfolio manager service providers in Canada, Mylo has enabled its clients to receive professional service at the beginning of their financial lives, before having built up their net worth, which is something that no previous generation of Canadians can claim.

We believe that this is particularly important for younger Canadians who have in the past not typically had access to affordable and accessible financial products and services, including without limitation, access to professional investment advisors. The increasing adoption of online and mobile services means an increase in the availability of financial service to all Canadians, and not only to the wealthiest members of society. This is an example of the benefits of innovation and disrupting traditional business models, where servicing this audience was previously not financially viable for traditional financial services firms and banks.

¹ Technology-Led Innovation in the Canadian Financial Services Sector - A Market Study – Competition Bureau Canada - December 2017 - [http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/vwapj/FinTech-MarketStudy-December2017-Eng.pdf/\\$FILE/FinTech-MarketStudy-December2017-Eng.pdf](http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/vwapj/FinTech-MarketStudy-December2017-Eng.pdf/$FILE/FinTech-MarketStudy-December2017-Eng.pdf)



We believe that innovation in general allows for the democratisation of services and helps ensure that all Canadians have access to better or cheaper financial services. Promoting innovation in Canada will always be to the advantage of Canadian by increasing the availability of affordable and accessible financial products and services.

3. Increasing accessibility and affordability of financial services

Canadian Fintech companies like Mylo, Evree, and Planswell, aim to help Canadians make smarter decisions about their finances and/or provide access to low-cost products and services that are not available through traditional financial institutions. For example, by aggregating financial data, Mylo provides Canadians with a holistic view of their finances that allows consumers to make better and more informed decisions as opposed to viewing their financial picture in silos. Moreover, Mylo makes these services available to Canadians at a fraction of the costs of traditional asset management. Mylo has made these new services available to Canadian by disrupting a traditional business model.

The current model of closed banking disadvantages Canadians on the lower part of the income scale, especially when it comes to investing and financial services. Traditional wealth advisors and banks generate income by charging their clients a percentage of their assets under management in addition to other expensive fees. This means investors with small investable assets are either ignored or sold disproportionately expensive and poorly performing investment funds, while more wealthy investors get access to personal advisors, better products, and cheaper pricing. We believe open banking will provide highly beneficial opportunities for many segments of society, and in particular younger Canadians, and consumers that have traditionally been ignored by the industry.

We believe that the issue of access to services is of particular importance to Canadians that reside in rural and northern communities that are currently neglected by major financial institutions. Financial inclusion will greatly help geographically isolated communities or traditionally underserved consumers (Mylo's social mission is to promote financial inclusion). To this end, Mylo's services are offered in every Canadian province and territory.

Mylo is a perfect example of a Canadian Fintech that has lowered the barriers to Canadian receiving better services at a lower cost.

4. Recognizing Consumer Data Rights in Canada

It is pressingly urgent that Canada recognize Consumer Data Rights.

We believe that Canada has been slow in adopting consumer data rights. Adopting Consumer Data Rights will improve consumers' ability to compare and switch between products and services. It will encourage competition between service providers, leading not only to better prices for customers but also more innovative products and services. Greater access to financial data through open banking will lead to better outcomes for consumers, for the Canadian economy and for innovation in Canada generally.

The adoption of a modern open banking framework in Canada will result in Canadian having the ability to control who can access their data and thereby who can provide them with innovative services.

We believe that legislative recognition and protection of consumer data rights in Canada will ultimately better protect Canadian's private and financial information by offering Canadian better control and choices

over their personal financial data. These benefits are however dependent upon an efficient legal framework that supports regulatory supervision and enforcement against bad actors.

5. Promoting competition in financial services in Canada

Canada has a financial services problem: we cannot count on incumbent or traditional financial service providers to put Canadians interests before their own.

Canadians deserve financial services that work for them, not against them. Sadly, this is not always the reality in our country. In fact, a recent report finds that banks prioritize sales over service². The problem with the industry can be traced back to a few simple truths: Traditional providers rely on an outdated business model that (i) conflicts with customer interests, (ii) favours wealthy consumers, (iii) generally lacks transparency, and (iv) discourages true financial literacy.

These incumbents effectively exercise near-total control over a client's financial data. This dominant position limits competition through a limited service offering and consequently uncompetitive pricing, as well as restricts access to new or innovative services. Banks generate huge profits from retail consumer banking or other financial services in Canada. Fintech generally provides a value-adding service that fills an unoccupied niche or delivers an existing service offering at a significant discount to consumers. Obtaining access to one's own financial data for the purpose of receiving a value-adding service should not constitute a contractual violation by the consumer or result in increased legal liability. Allowing traditional financial service providers to control consumers' financial data is therefore clearly to the detriment of Canadian consumers. This needs to change quickly.

To foster healthy competition, we need to encourage the creation of new and useful financial services for Canadians, and to create an environment where traditional institutions and Fintech start-ups can coexist. None of this can happen without an efficient open banking framework that ensures Canadians own their banking and other financial information, and have sole control over its use and disclosure.

Fintech needs access to data to succeed in Canada. Fintech innovators use data to help consumers make smarter financial choices. Banks and insurance companies, however, don't usually let consumers share their own financial data in an organized secure way, such as account information and transaction records, because it poses a threat to their business model and there is no immediate business incentive to voluntarily provide open access. In fact, one of the main obstacles Fintech companies face is that banks are warning the government against allowing customers to share their personal banking data with other service providers. This has a negative impact on Canadians because their access to beneficial services is being limited. Without access to open banking data, Canadian Fintech start-ups cannot efficiently develop innovative new products, or they focus their efforts trying to inefficiently address issues that would be better resolved by open data. This is an important barrier to Canadian entrepreneurs and start-ups.

The European Union passed Payments Service Directive 2 ("PSD2"), which came into effect in 2016 to ensure that customers own their personal banking data and can decide to share it with other companies. The United Kingdom launched its equivalent initiative on Opening Banking in January 2018. In order for Canadians to get access to the financial services they deserve, Canada must go down a similar road without

² Financial Consumer Agency of Canada – Domestic Bank retail Sales Practices Review – March 20, 2018 - <https://www.canada.ca/content/dam/fcac-acfc/documents/programs/research-surveys-studies-reports/bank-sales-practices.pdf>

delay. This is particularly important in Canada where Fintech adoption rates are in the lower tiers of OECD countries³. Such empirical evidence should be of great concern to the Committee.

We believe that without regulatory intervention allowing for an efficient open banking framework, incumbent players will abuse their dominant position, which will be to the detriment of the Canadian Fintech sector, and therefore to all Canadian consumers in general through restricted service offerings, limits to innovation or uncompetitive pricing. Ensuring that traditional financial service providers do not abuse their dominant position, and promoting competition in the financial services sector will naturally serve all Canadians.

Open banking will increase competition in the Canadian financial services sectors, and make new products available to consumers.

B. 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?

1. Governmental established regulation and standards

In order to promote efficiency and consumer protection within Canada's financial services sector, including for all incumbents and start-up stakeholders, governmental leadership is required. This is in our view the only way to implement effective consumer protection standards which promote competition within a reasonable timeframe.

We believe that most participants in the financial service industry would agree that an environment of open banking would be better for the market as a whole, but there is no incentive for a single participant to move unilaterally. This leads to an inefficient outcome for all industry participants as well as consumers. Regulation is required to move the entire market toward a more competitive equilibrium for all participants.

As set out above, we believe that open banking and the adoption of consumer data rights in Canada will serve to strengthen the Canadian financial sector as a whole. Indeed, we urge the Committee to consider the number of new service providers and products made available to the public and benefiting the European economy as a result of the adoption of PSD2. Canada should officially embark on such a path in order to allow Canadian innovation to flourish and for Canadians to benefit from the fruits of such innovation. Not doing so means disadvantaging all Canadian start-up ecosystem participants, thereby handcuffing the sector versus international competitors, but also putting Canadians at risk by failing to establish technical and legal standards that are necessary to ensure that consumer protection, privacy, cyber security and financial stability are properly addressed for all Canadians.

This said, we believe that Canadians will be best served by the adoption of legal and regulatory standards for participation in the open banking ecosystem. These will need to address privacy and consent issues but also establish common technical standards, and a supervisory body mandated to protect Canadians and promote consumer confidence in open banking. In short, consumers will be able to trust the new ecosystem and avoid bad actors only where efficient regulations are adopted that protect and inform consumers as to their consumer data rights.

³ E&Y Fintech Adoption Index 2017 - [https://www.ev.com/Publication/vwLUAssets/ev-fintech-adoption-index-2017/\\$FILE/ev-fintech-adoption-index-2017.pdf](https://www.ev.com/Publication/vwLUAssets/ev-fintech-adoption-index-2017/$FILE/ev-fintech-adoption-index-2017.pdf)

We believe that regulation similar to those adopted by the United Kingdom or European Union will properly serve to protect the privacy and concerns of Canadians.

2. Technical standards relating to consent

High standards for consumer protection, privacy, cyber security and financial stability are already in place for Canadian financial institutions, and would remain in place when open banking is implemented.

We believe that standardizing and streamlining consumer consent as relates to open banking is key to managing concerns surrounding consumer protection and privacy. Open banking would require the adoption of legal standards surrounding consumer consent, in order to allow consumers to better manage their information and privacy. Access to financial data is beneficial for consumers only in so far as such data is used within the limits of the consumer's explicit consent. This will be greatly facilitated by open banking.

Open banking also requires the adoption of technical standards relating to transmission of information. We recommend that any proposed technical standard be inspired from existing financial data transmission standards such as ISO 20022⁴. This will help ensure that the transmission of financial data is made in a secure manner.

Adopting technological standards, such as common APIs, and prescribed forms for consumer consent relating to financial data sharing will help ensure that all industry players are placed on the same footing, thereby promoting competition. This will also help ensure that evidence of a consumer's consent to sharing financial data will be validated and retained on record, thereby providing an auditable information trail for accountability.

3. Facilitating compliance with AML requirements and combatting fraud

One of challenges faced by some Fintech participants relates to meeting anti-money laundering and other similar requirements. Technical standards for consumer consent and common APIs will facilitate resolving these issues by allowing for more reliable customer identification, and more efficient data transfers.

The benefits of common technical standard also include information security concerns such as identity theft and other forms of fraud which we expect would be significantly reduced by secure data transmission.

⁴ ISO 20022 is an ISO standard for electronic data interchange between financial institutions. It describes a metadata repository containing descriptions of messages and business processes, and a maintenance process for the repository content. The standard covers financial information transferred between financial institutions that includes payment transactions, securities trading and settlement information, credit and debit card transactions and other financial information

C. *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*

We would look to the federal government to adopt an efficient regulatory framework designed to promote efficient and safe open banking practices in Canada. The experiences of other jurisdictions in this respect should serve as a model for Canada when considering the structure of an open banking framework, its proposed implementation over time, and the supervisory regime to be adopted.

In this regard, we believe that the Federal government should carefully look at the approach taken by Australia in terms of its model and approach. We believe the scope decided upon by Australia, namely to limit its initial approach to open banking to data sharing only, provides an excellent opportunity for Canada to adopt a responsive and balanced approach to regulating this growing sector of the Canadian economy. This said, we do believe that payment initiation will eventually need to be undertaken in order for Canada to remain competitive with internal jurisdictions.

The implementation of an open banking framework as part of a framework implemented across the broader economy in a phased approach will serve as a first steps in legislating Consumer Data Rights in Canada.

The regulatory agency having ultimate responsibility for regulations governing open banking in Canada would therefore have the authority and responsibility for establishing:

- Guidelines for consumer consent access: standardized consumer consent protocols designed to ensure consumer protection and privacy;
- Guidelines surrounding receipt of financial data: establishing guidelines for entities wanting to receive consumer financial data⁵ where such entities are not already regulated by a banking or securities regulatory authority;
- Mandatory technical standards: information transmission and APIs to facilitate sharing of data in a manner designed to encourage competition between all sector participants; and
- Consumer complaint reporting mechanism: could be structured similarly to banking and brokerage sectors (e.g., OBSI, AMF).

A timeline should be established so that market participants can prepare to implement any required changes.

Firms accessing the data should be required to demonstrate that they are accessing the data in a secure manner and in accordance with the technical standards established by regulation. Firm obtaining access to consumers financial data should be vetted and required to register unless already regulated by a banking or securities regulatory authority. This could be achieved through vetting of participants and the adoption of minimal technology standards. Minimum standards as to the quality of the data should be enforced to ensure that it can be received in an accurate and timely manner.

⁵ EBA publishes final Guidelines on authorisation and registration under PSD2 - <https://eba.europa.eu/regulation-and-policy/payment-services-and-electronic-money/guidelines-on-authorisation-and-registration-under-psd2>



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CONCLUSION

We submit that Canada needs policy-based legislation driven by the Federal government and other relevant regulators. We need to all agree on a plan for implementing open banking and insurance data that ensures strong data privacy and security controls are in place. And we need to do this quickly. The rest of the developed world is moving rapidly in this direction and Canada cannot be left behind. The future competitiveness of our financial services industry, and the financial health of everyday Canadians, depends on it.

We hope that our comments and views will be helpful to the Committee and to the Department of Finance.

Please be advised that we consent to the disclosure of these submissions in whole or in part, but request that any and all personal information contained in these submissions be removed or redacted prior to publication.

Mylo thanks you for the opportunity to make these submissions and for the attention the Committee will devote to the foregoing. If you require further clarification on any of our positions or wish to discuss further we encourage you to reach out at your convenience.