

From: Dmitrii Barbasura [REDACTED]
Sent: February 10, 2019 5:23 PM
To: OBBO (FIN)
Cc: Tamara Royz
Subject: Consultations on Open Banking - The Advisory Committee to the Open Banking Review/Financial Institutions Division

Dear Advisory Committee on Open Banking,

I am writing on behalf of Salt Edge Inc., a Canadian FinTech company that has over 5 years of experience in developing open banking products for European Union clients as well as other global financial institutions and their end-customers.

As leaders in the open banking industry, we appreciate the Canadian Government showing strong interest in assessing the merits and details of open banking systems. Taking into account the current worldwide interest in this phenomenon and eagerness of its adoption, we believe that open banking will soon become a global standard for digital transformation in the financial sector.

The implementation of open banking will deliver more affordable and innovative financial services to both Canadian consumers and small businesses alike. Unlike current consumer and small business banking options, open banking can offer an organic and thorough customer experience by combining account information and payment initiation services. According to Accenture's 2018 report on The Brave New World of Open Banking, it is also clear that open banking will allow Canadian banks and FinTech players to enjoy the benefits of new revenue streams and more efficient partnerships, while banking customers will benefit from the cutting-edge technologies and advanced security.

Salt Edge is a pioneer in the European open banking initiative that has allowed many banking institutions to meet the challenges and needs of modern markets, and consumers to enjoy the latest technology and conveniences. In this role, we have accumulated unparalleled practical knowledge to assess open banking opportunities. And further, as a Canadian company, we can

help apply this knowledge to the Canadian market and bring the key advantages of open banking to Canada.

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

Open banking solutions connect customers, financial technology firms, and traditional banking institutions in new ways, thus ensuring secure interactions and transparent terms for all involved parties. The implementation of open banking brings the following visible benefits to Canadians:

- * Improves availability of financial services to a wider range of consumers
- * Increases consumers' ability to compare and contrast banking products
- * Individuals and businesses can more easily transfer accounts from one institution to another
- * Transparency of fees and exchange rate
- * Canadian banking institutions will have greater ease creating or adopting new payment methods, new payment systems, and improved security measures
- * Canadian banking institutions will be able to improve communication, alert, and fraud prevention systems through the greater use of third party innovations
- * Ability to aggregate and work with more payment methods through the use of open and interoperable technologies
- * Overall optimization of operations in different spheres of economy/finance:
 - o Lending: automatic and real-time accumulation of financial data, better risk assessment based on diverse data sources and detailed customer spending patterns, enhanced decision-making - which, as a result, would decrease the cost of borrowing
 - o Banking: introduction of a new instant payment method, automation of creating financial statement based on aggregated data
 - o Financial reporting: Simplified access and automation for financial reporting

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?

Open banking results in the improvement of access to personal and business financial data in a secure manner, and the creation of financial services that improve the relationship between

banking institutions, consumers and FinTechs. Since the ultimate improvement of this relationship requires a lot of trust and confidence from Canadians, we believe that risks could be mitigated through careful quality control of open banking systems, and through a strong network of messaging that helps Canadians understand open banking and what it means for them.

In this respect, we suggest the Advisory Committee on Open Banking to take as an example the successful approach of implementing consumer-focused components that the UK Open Banking has adopted, which encompasses the following:

- * Requirement for strong customer authentication on bank side when connecting an account to FinTech apps for account information and payment initiation purposes
- * Explicit customer's consent for FinTech access to bank accounts
- * Consumers should be provided with a dashboard where they can view/ revoke consents granted to FinTechs
- * Requirements for FinTechs to implement organizational and technical security measures to protect consumers and their privacy
- * Mandatory listing of all extra fees before consumer confirms a payment

All the above measures, accompanied with educational workshops and informative booklets emphasizing the security and privacy of open banking, would strengthen Canadians' trust in providing access to their financial data and using the new financial services.

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?

The Canadian Government should take a proactive role in establishing guidelines and rules for open banking industry firms and services, including:

- * Create educational and outreach initiatives that familiarize the public with open banking terms, services, benefits, and risks
- * Adopt timelines for open banking implementation at various types of institutions
- * Determine the scope and application of open banking regulations
- * Establish conditions and procedures for companies to create or offer open banking products

- * Define compliance requirements for open banking, taking into account existing banking and data privacy requirements
- * Establish a permanent regulatory body for open banking supervision
- * Establish clear rules and guidelines related to technology requirements (e.g. Strong Customer Authentication, Open Banking APIs standards)
- * Create a public repository (i.e. website) with details of all the authorized open banking firms.

Overall, transparent conversation and industry participation will be keys to the successful and sustainable establishment of an open banking environment in Canada.

4) This consultation paper seeks views on whether and how open banking would support a competitive and innovative financial sector and benefit Canadian consumers and small business.

Open banking is a consumer-centric initiative that has the goal to level the playing field and offer fair conditions to all financial service participants, i.e. long existent service providers, emerging FinTechs, and their end-customers alike. Whilst new businesses are offered great opportunities for breaking into the payment services market, the end-customers will benefit the most from this increased competition that triggers the creation of innovative services and brings down the prices. Eventually, the most successful service provider, be it a long-established banking institution or a rising FinTech, is more likely to be chosen for its ease of use, quality of service, and advanced technology.

From Salt Edge's perspective, open banking and the tools used to achieve open banking are integral to the future success of all financial institutions. The current combination of consumer preferences, technological adoption, worldwide connections, and innovations in payments indicates that the market is ready to move the open banking direction. Canadian businesses and consumers rightfully demand to be on the cutting edge of new products, and we are excited to support Canada's movement to open banking in every way possible.

It is also worth mentioning that in order to ensure a fair competitive financial

sector, a contractual relationship between FinTechs and banks should not be required, otherwise this would lead to unequal opportunities and slower adoption of open banking.

5) This consultation paper seeks input on how risks related to consumer protection, privacy, cyber security and financial stability should be managed for open banking going forward. Given that the digital transformation presents similar risks across sectors, views are welcome on whether cross-sector or sectoral responses are most appropriate.

Given the global nature of consumer data privacy, cybersecurity, and financial markets, we recognize that risks are fluid and dynamic. This is exactly why the responsive and proactive nature of open banking services is so important.

* Consumer protection - Banking institutions must require strong customer authentication and dynamic linking when consumers connect their payment accounts to

FinTech applications, or when they confirm a payment initiated via a FinTech app; additionally, consumers should be provided a dashboard where they can view or revoke any consent granted to FinTechs for access to financial data

* Privacy - Requests of explicit consent from end customer regarding any FinTech actions related to account information or payment initiation. PIPEDA and open banking should complement each other to ensure consumers' data privacy and protection

* Cyber security - regular internal and external audits, penetration testing, incident management to avoid any security breach that can cause customer data leak; requirements for FinTechs to have proper professional indemnity insurance and reporting obligations that should prevent and cover any potential security incidents and data breaches

* Financial stability - FinTechs that provide payment initiation services should never be in possession of consumer's funds, thus their presence on the market will lead to increased financial stability

In combination, all these components ensure a healthy open banking ecosystem with very strong consumer protection, privacy, cyber security, and financial stability.

We appreciate being able to further assist and consult with the Advisory Committee on Open

Banking and Ministry of Finance Canada on an open banking framework.

Helping big financial institutions like ING, BBVA, Societe Generale, and innovative FinTechs

such as Yolt, Cleo, Oval Money, etc., to deliver secure services to their end-customers, Salt

Edge has managed to develop a good understanding of the needs of the financial sector at local

and international levels. Salt Edge is positioned at the heart of where open banking initiative

started and regularly consults with industry bodies including EBA, EBF, FCA, and other EU local

regulatory bodies.

We are looking forward to a productive collaboration in delivering Canadians the best possible

outcome from open banking.

Note: Salt Edge Inc. consents to the disclosure of its submission in whole or in part.

With due respect,

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