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The Advisory Committee to the
Open Banking Review/Financial Institutions Division
The Financial Sector Policy Branch
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To Whom it may Concern:

We want to thank you for the opportunity to participate in the assessment and development of an Open Banking system in Canada. From the outset, Trans Union of Canada, Inc. ("TransUnion") wishes to emphasize that it supports initiatives to promote a fair, accurate and reliable access to information in Canada and will participate fully in any consultative process pertaining to Open Banking, which may be instituted. Given our business model, our processes and our international experience, TransUnion is positioned to provide the Ministry with insights related to consumer access to information and data management in the course of Canadian commercial activity.

By way of introduction, TransUnion has been a leading provider of credit information services in Canada since 1989. We are entrusted with protecting and maintaining accurate and up-to-date credit information about Canadians. For businesses, we verify credit applications of customers so that businesses can make informed and accurate decisions about an applicant's credit worthiness, thereby reducing financial risk. We also verify the identity of potential customers on behalf of businesses. For consumers, we provide tools, resources, and education to help Canadians manage their credit health and achieve their financial goals. TransUnion maintains credit information on consumers furnished by its data suppliers (mostly financial institutions and Government entities) located across Canada. Should you require any additional information to enhance your understanding of TransUnion and our business, we invite you to consult our website at www.transunion.ca.

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

The benefits of maintaining good financial health cannot be understated. Canadians currently have full control over their credit history through full access to the centralized resources of credit reporting

agencies. Through these repositories of information, consumers are able to review and, where necessary, correct their credit information to ensure it accurately represents their history.

While understanding one's credit history is a vital aspect of managing financial health, credit history is only one aspect of full financial literacy. Promoting good financial health is a shared interest for the Government of Canada and TransUnion and part of promoting financial health needs to include an understanding and efficient management of banking transactions. Currently, consumers are empowered through multiple channels to expand their credit literacy and access and understand their full credit histories; however, no similar channels or resources are available for banking customers. If a banking customer wants to review their banking transaction management, increase financial literacy or shop for competitive products, they must manually pull transactional data, either by giving access to their online banking credentials or by providing paper documentation. Banking customers should also be able to benefit from the "consumer-first" movement that has led to increased financial literacy and financial services tailored to individual customer needs.

One obvious benefit of Open Banking is set out in page 3 of the Advisory Committee's consultation paper. When consumers are able to share electronic banking records with financial services companies, they will more easily be able to access money management services that can provide meaningful insights into their spending habits to better achieve their financial goals.

In addition to providing consumers with a better understanding of spending habits, there are many other benefits Open Banking can bring to Canadian consumers and businesses. Open Banking also provides financial service providers with information that can be key to providing creditor customers with new financial products that are appropriate, affordable and sustainable. Consumers with limited credit history or those that are new to Canada are often unable to obtain the financial lending products they need at prices that are affordable and reasonable. Open Banking provides an alternate source of data that consumers can more easily provide to financial institutions to secure products that are matched to their financial needs, while maximizing the consumer's affordability.

According to Statistics Canada reports, around one fifth (21.9%) of the Canadian population reported in the 2016 census that they were or had been landed immigrants or permanent residents in Canada.¹ Additionally, Statistics Canada forecasted in a 2017 report that newcomers to Canada are projected to represent between 24.5% and 30% of Canada's population in 2036.² Consumers that are new to Canada do not have easy access to provide credit history data to lending institutions to secure lending products such as mortgages or credit cards; however, they are able to set up bank accounts to manage their income and pay expenses. If these consumers could make this transactional data available to financial services companies, they would be able to demonstrate Canadian financial history that could be used by those companies to provide affordable credit products. Financial service providers have very limited options for providing consumers and small businesses with access to credit based on non-traditional credit risk models.

¹ Statistics Canada, "Immigration and ethno cultural diversity: Key results from the 2016 Census", February 13, 2019. Reproduced and distributed on an "as is" basis with the permission of Statistics Canada.

² Statistics Canada, "Immigration and Diversity: Population Projections for Canada and its Regions, 2011 to 2036", February 13, 2019. Reproduced and distributed on an "as is" basis with the permission of Statistics Canada.

In addition to the above, another benefit of Open Banking for both businesses and consumers is in providing a more efficient option for income verification. Currently, when consumers are required to provide income information, they must obtain a printed document setting out this information. In the electronic age, manual processing of paper documents causes delays for consumers looking for efficient services that meet their needs in a timely manner. Additionally, if the organization that requires proof of income wishes to verify the legitimacy of that paper document, they are required to contact the banking institution or the income provider, which adds further manual processes. Open Banking would solve for this impediment to efficient provision of services.

Trans Union is a global organization, providing data services in various countries to address specific financial needs. As part of this global reach, TransUnion (formerly Callcredit) in the United Kingdom (TransUnion UK) has established itself as one of the major service providers in the UK Open Banking market. TransUnion UK is a registered account information service provider (AISP) that provides a consumer-driven Open Banking solution for facilitating connectivity between banks and other financial service organizations through a consent-driven, integrated data-exchange platform. Having operated in this space as Open Banking went live in the UK in January 2018, TransUnion UK prepared a report on the evolution of Open Banking, including its benefits and consent based on consumer and business survey results.³ While this study involves UK consumers and businesses, it contains a unique insight as it is based on practical data on Open Banking adoption in a live market.

Currently, 59% of UK banks signed up for Open Banking use the information for income verification.⁴ The other two primary uses for Open Banking have been credit risk assessment and to gain insights from data into spending habits and financial management.⁵ While these have been the primary use cases for Open Banking data in the UK, there is significant interest in using Open Banking in the future for reviewing rental data, such as for rental applications and for assessing first-time mortgages, as well as for better consumer segmentation and delivering customized products and services based on consumer needs.⁶

In addition to the benefits to consumers, small and medium sized businesses in Canada have a difficult time securing financial products and services that best suit their spending habits. Open Banking can also be utilized to permit smaller businesses to give financial institutions access to their transactional data, thereby allowing them to shop for products and services that best meet their individual business needs and cash flows.

In addition to the benefits Open Banking can bring to consumers and to small businesses, there are many benefits to Canada's financial institutions that can revolutionize the industry in a positive way. Some of the benefits to Open Banking that have been experienced by financial institutions include:

- Speeding up customer approval and onboarding processes
- Saving time and efficiency
- Improving consumer experiences
- Improving the ability to cross sell, upsell and provide better suited services to consumers

³ TransUnion UK, including data from a study conducted by Forrester Consulting, **The Evolution of Open Banking: Adoption, Benefits and Consent**. (TUUK Study).

⁴ TUUK Study, page 4.

⁵ TUUK Study, page 4-5.

⁶ TUUK Study, page 5.

- Reducing processing costs
- Driving competition in the industry
- Reducing risk because of the granular insight into customers' financials.⁷

As mentioned above, financial literacy and financial services have been significantly reformed for the newly empowered consumer. The balance of power has substantially changed such that consumers are greater determinates on the type of financial solutions they are offered and these solutions are shaped in large part on how consumers are engaging the services and products they use. Financial service providers are competing for consumer business through products designed to meet the needs of their customers, and banking consumers now need the autonomy to shop for and select services tailored to them.

Consumers also feel the inefficiencies from a manual system of data exchange. TransUnion UK's study revealed that 81% of consumers that have to provide bank statements as part of an application process find it difficult, time consuming and repetitive.⁸ Businesses and consumers alike find that the manual processes that Open Banking can address cause issues through consumers being unable to provide correct documentation or to do so in a timely manner. Generally, application processes create issues for 35% of consumers and 30% find gathering documents to be a problem.⁹ For financial institutions that provide services to consumers, 50% found that consumers take too long to provide the necessary documentation and 45% found that the documents provided were not the documents required.¹⁰

Payment initiation has been raised as a possible benefit of Open Banking. While there is clear benefit to providing consumers with options for managing payments directly from their bank accounts, there are some service providers already providing consumers with different options for electronic payment transfers. Additionally, launching Open Banking in Canada is an extensive task and should focus on addressing a limited set of priorities, particularly at the outset. Implementing the existing Open Banking platform in the UK to facilitate only information transfers (without accommodating payment initiation) required over two and a half years of work from financial institutions, interface providers, regulators and more. Developing an Open Banking platform in Canada will require a substantial amount of work from Canadian regulators and businesses; therefore, TransUnion strongly recommends that this Advisory Committee and subsequent authorities focus this study on data transfer rather than payment initiation.

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?

It is important to acknowledge that trust in all parties involved in a banking transaction information exchange is fundamental to adoption of an Open Banking system in Canada. To build a system that will be embraced by consumers, regulators should consider a detailed accreditation process where all parties have to fulfil requirements on security, sustainability, processes and procedures will help to build consumer trust. In the UK, after 6 months of a live Open Banking system, 88% of consumers were willing to share data with banks, 80% with credit card providers, and 76% with credit reporting agencies.¹¹

⁷ TUUK Study, page 8.

⁸ TUUK Study, page 7.

⁹ TUUK Study, page 7.

¹⁰ TUUK Study, page 7.

¹¹ TUUK Study, Page 10.

Consumers were much less willing to share information with payday lenders (59% are unwilling) and fintechs (46% are unwilling); however, as familiarity with Open Banking grows and consumers see the strength of the accreditation process and the benefits of Open Banking, trust will build within all levels of financial service providers.

Consumers will be encouraged to accept Open Banking if they can see clear benefits. As explained by David Firth, Head of Product for TransUnion UK Open Banking, “A smooth consumer journey is essential, and this has to involve fully informing consumers of their rights and what the data will be used for. Equally, once the data has been provided it’s imperative that it’s used for the benefit of the consumer – and that starts with accurately categorizing and analyzing the information received.” Open Banking must be about helping consumers and businesses benefit from more informed decisions and products and services that meet financial needs better than the existing systems.¹²

Open Banking will need to permit consumers to provide consent for financial institutions to share financial data with financial service providers. Consumers may feel more inclined to share such information when they are able to maintain direct control over that data. For example, allowing for express consent to only share information with a specific institutions on a case-by-case basis. While guidance for consent should continue to focus on express, meaningful and informed consent, the exact wording and process should allow for flexibility to ensure that innovation opportunities are not limited as new opportunities for Open Banking come to light.

The *Personal Information Protection and Electronic Documents Act* (PIPEDA) already sets out strict obligations regarding access to, use of and disclosure of personal information and should be used to guide the development of any additional legislation around Open Banking. Consumers will develop trust for Open Banking if they have clear, meaningful consent that informs them of the intended use of such data, to whom the data will be disclosed and to allow for withdrawal of that consent. Similarly, PIPEDA principles will also help to ensure accountability and proportionality and should be used to guide development of all legislation, policies and guidelines.

While Open Banking can be used to permit consumers to engage with growing fintechs for the provision of services that may not be offered by their current banking institutions, consumers may have concerns that these fintechs are not equipped to manage all the privacy and security requirements for exchanging sensitive banking data. An important consideration in developing a Canadian Open Banking system is to look at existing data exchange platforms to utilize successful practices that already incorporate robust privacy and security systems. For example, consumers have become accustomed to interacting with electronic authentication methods and providing consent in online platforms in order to access services quickly and conveniently. These existing, trusted consumer experiences should be leveraged to build on the consumer trust that already exists.

Additionally, it is very important to ensure that there are minimum security infrastructure requirements on all participants in an Open Banking market. In order to be able to ensure that security and privacy of information underpins every level of Open Banking and that the environment itself is protected, all parties that participate in this system should be required to maintain a certain level of cyber security. This will also help to protect the Open Banking environment. This benchmark for security infrastructure should

¹² TUUK Study, Page 14.

ensure that it maintains a minimum level of security without being prescriptive to the point of limiting technological advancement.

Consumer reporting agencies should have a significant role in developing Open Banking. Consumer reporting agencies already have a trusted relationship with consumers in that they have managed access, use and disclosure of personal and credit information for decades in Canada. These agencies have extensive experience in sharing large amounts of data and have had to do so while ensuring that security, privacy and technological infrastructures are robust and adaptable. Specifically, TransUnion is uniquely positioned as a stakeholder for Open Banking in Canada by virtue of having worked closely with both regulators and financial institutions over several years in the UK to develop that Open Banking system. Some of this experience translates into important considerations for Open Banking development:

- Implementing a functioning Open Banking platform and develop a specific categorization system.
- Focus on creating consumer and business solutions focused on affordability and creditworthiness as well as the ability to expand this into income and expenditure analysis to better assist consumers with managing their financial resources.
- Layering on evolving cluster of insight concepts for financial management.
- Combination of data deliveries available to suit requirements.
- Services that can be continually updated to maximize innovation and security.
- Ability to integrate multiple data sources.

A possible process flow that allows consumers to have maximum control, while maintaining security and trust is through directing consumers to a platform operated by an AISP, but integrated with the consumer's banking system. Such a platform can thereby permit access by consumers to all Open Banking financial service providers. Once the consumer provides express consent, the AISP can retrieve the data and either provide it directly to the party the consumer authorizes to receive that data and used to inform decisioning. Regardless of the format, the goal of any Open Banking system should be to provide a seamless interaction between banking service providers, with informed consumer consent and control.

Open Banking will look to create a new application programming interface (API) managed by service providers that can perform all of the required API calling on behalf of consumers and banks. Some of the factors that are necessary to consider when developing this structure include:

- The need for a regulator to register various parties that are permitted to access banking transactional data.
- A regulatory or industry authority must create authentication, user redirect and data retrieval standards.
- A staggered implementation is necessary to ensure any new Open Banking system is developed securely and efficiently; focusing first on the primary Canadian banks.
- Regular maintenance and upgrades are necessary.
- Substantial initial testing and proving is required between all parties required to establish the initial Open Banking platform.
- API connectivity must be heavily linked to the screen flow process.

Once the process of consent, authentication and data retrieval is complete, an AISP must be able to send the specified data to the recipient as part of the decisioning or management process with the objective of reducing manual processing as much as possible.

- Should aim to provide data to the recipient but allow for varying levels of integration to facilitate less sophisticated fintechs.
- There should be an ability to integrate into existing decisioning and underwriting systems.
- Data delivery can be clustered to ensure that recipients of the data only receive the appropriate data as consented to by the consumer.

The Canadian government and industry stakeholders can maximize efforts to develop an Open Banking system by building off existing Canadian data exchange and financial service platforms, while incorporating developments and experiences from other jurisdictions.

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?

As Canada looks to develop Open Banking, it should take lessons from the effects of implementation in the UK. One key factor for successful implementation is ensuring that both financial institutions and consumers appreciate the benefits of Open Banking. Additionally, there needs to be a clear understanding of concerns so as to address as many of these concerns as possible from the outset. After six months of Open Banking in the UK, 86% of firms are of the opinion that this type of data is valuable or very valuable, but half admit that they have a limited understanding of what Open Banking is.¹³ In order for the government of Canada to have support from the industry and from consumers to begin implementation of Open Banking, there needs to be significant effort expended to educate the public on the function of Open Banking.

Further, development of an Open Banking system in Canada will require clear guidance from regulators for banks as well as firms that will be acting on behalf of or partnering with organizations sending or receiving consumer data. As part of this, a federally regulated scheme would be beneficial for ensuring consistency and managing consumer support. Credit reporting in Canada is regulated both federally through PIPEDA and provincially through credit reporting legislation. The fragmented approach to regulating credit data can result in inconsistent requirements between provinces, with consumer confusion over how to address concerns.

From the outset, the government should seek active industry and key stakeholder engagement to ensure all levels of data security, consent, and consumer support are addressed in the context of existing data management systems. These stakeholders will also be in the best position to inform regulators about the implementation challenges and factors that need to be addressed in order to have a successful launch. For example, credit reporting agencies and banking institutions have already had to develop extensive consumer support practices, such as dispute and remediation processes and this can be leveraged to

¹³ TUUK Study, page 6.

develop similar Open banking practices. Further, these industries have extensive data security and privacy practices in place to govern data management that can assist with development of regulatory guidelines.

When creating legal guidance for Open Banking, there must be sufficient flexibility to allow for advancement in services as more financial service providers come on board and as consumers learn the benefit of this new marketplace. While the initial focus may be on single data exchanges, further use cases will inevitably develop that require the ability to expand services and thereby the need to extend consent from single exchanges to possible multi party exchanges.

Consumers, financial service organizations, and third party Open Banking service providers must all have a clear understanding of how consent principles are to be applied to ensure that consumers fully understand the terms they are agreeing to before they apply. The consent provisions under PIPEDA and supporting guidelines on how to apply those provisions should be maximized and relied upon to achieve consistency across all levels of data management. Additionally, the government should ensure that privacy laws, regulations and policies are all developed in such a way that they use technologically neutral language to ensure they remain adaptable to changes and advances in technological development.

Further, too many laws or regulations will likely result in less flexibility to adapt to a developing data exchange. Industry stakeholders have better expertise in the area of sensitive data management and may be better equipped to develop industry standards and should be actively involved in developing an overseeing body. An overseeing regulator is necessary to manage certification of industry participants and to manage policies and guidelines.

Conclusion

Open Banking provides businesses a fully managed and secure route for accessing consumer bank statement data and provides consumers with the ability to better manage and utilize banking services. All of this reduces manual procedures and streamlines the consumer experience for faster and lower cost financial services with an improvement to risk understanding. Open Banking further permits banking product and service providers to accept more customers that might otherwise be prevented from accessing those services due to only having minimal credit products or being new to the country.

This must be balanced with ensuring that guidelines are able to strengthen consumer confidence in the ability of all Open Banking service providers to protect the data in the Open Banking system. Consumers must feel confident that concerns over maintaining privacy, control and security in order for them to agree to share information and then trust the benefits of sharing transactional data. Creating Open Banking based off a system that is driven by consumers granting specific, limited access to their transactional data empowers consumers with managing their own data and giving consumers more power to better manage their finances and plan for the future.

As set out above, promoting good financial health is a shared interest for the government of Canada and TransUnion. TransUnion continuously seeks to go beyond data to offer the insights businesses and consumers need to make informed decisions and achieve financial goals. We call this information for good.

Unless otherwise marked as "CONFIDENTIAL" within this document, we consent to this submission being published in the context of this consultation process, but we ask that my name and contact information be removed from any publication of this document or from any distribution of this document outside of the Advisory Committee and any related government parties.

Thank you for the opportunity to present some of our comments regarding Open Banking. Please do not hesitate to contact us if you have any questions or wish to discuss any of the above in greater detail.

Yours truly,

TRANS UNION OF CANADA, INC.

