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RE: Potential Policy Measures to Support a Strong and Growing Economy: Positioning Canada's Financial Sector for the Future

Envestnet Yodlee ("Yodlee") appreciates this opportunity to share our perspective regarding the Department of Finance Canada's ("the Department") review of potential policy measures that could support growth and innovation in the financial sector, while ensuring the continued safety and soundness of Canada's financial system and strong consumer protection. As the leading account aggregation platform provider globally with more than 18 years in the industry, Yodlee strongly believes in the ability of technological innovation to safely empower consumers by increasing competition and providing broader access by consumers across Canada to technology-based financial tools.

Yodlee provides consumer-permissioned account aggregation capabilities with hosted solutions and open APIs on a business-to-business basis to customers around the world, including throughout North America, that include traditional financial institutions of all sizes as well as financial technology companies. These customers use the Yodlee platform to connect millions of retail and small business consumers in the United States and Canada with their own financial data to provide financial wellness solutions, which provide a single platform for consumers to track, manage, and improve their financial health across a host of different banks and financial institutions, as well as through platforms that provide financial advice and lending solutions. Customers also use Yodlee's platform to establish the authenticity of account holders in real time, along with improving the real-time affordability checks required by providers of credit. Yodlee's customers include top global banks in more than 20 countries. Leading financial innovators like Kabbage, PayPal, MOGO, Mylo, Onist, and Wave, are also Yodlee's customers.

The Department asserts in its consultation that it intends to examine the merits of open banking. This is a timely issue, as some Canadian financial institutions have explicitly restricted their customers' ability to use third-party tools to improve their financial wellness both through prohibitive covenants within the terms and conditions required of their customers to open an

account as well as implementing technological barriers in order to block aggregation services from accessing consumer account information, despite their customers explicit desire to use and opt into third party services. As a large presence in the United Kingdom and Australia, which have both embarked on their own open banking journeys, Yodlee has a unique perspective of the significant benefits that an open banking ecosystem can present for consumers, as well as some of the policy and industry challenges that must be addressed in order for the full potential of an open banking framework to be realized.

Yodlee strongly believes that open banking ecosystems present transformative benefits to consumers that allow them to choose financial services most appropriate to their needs and take advantage of technology-based tools to improve both the efficiency of managing their finances and their overall financial wellness. From Yodlee's perspective, an open banking framework is one under which banks are not one-stop-shops for all financial services. Instead, open banking fosters a system in which consumers have real choice and can adopt a more modular system. For example, instead of a consumer carrying out all their banking through one or two firms, they can use one provider for their current account and then bolt on other financial services, such as an insurance policy, mortgage, or investments through other providers, under a user interface of their choosing. The end result of a truly competitive market is an improved depth and breadth of service offerings available to consumers, reduced fees, greater access to loans and capital, and a direct benefit to improving the financial lives of millions of Canadian consumers and small businesses. At a time when more than one-third of Canadians are underbanked¹ and approximately 13% of Canadians either hold no bank account or hold only zero-balance bank accounts², increasing access to important financial tools is critical to improving the state of Canadian consumers' financial states.

From a technology perspective, open banking systems rely on standardised Open Application Platform Interfaces ("API"), which allows information to be shared securely without the end user having to reveal their password. This is the same technology that is currently used by millions of Canadians to find the nearest open ATM or bank branch. In the United Kingdom, a regulatory-sponsored effort saw the creation of a standardised API by the nine largest British banks, which all of players in the financial system will be permitted to use at no cost once the framework is fully implemented next year.

To be fair to traditional financial institutions, there are regulatory, legal, and consumer expectations around liability that create hesitancy to move towards an open banking environment. These challenges are in many ways legitimate: statutes, regulations, and, in many cases, consumer themselves, expect financial institutions to make the consumer whole in the

¹ Sharma, Sanjay. "Canada's financial crisis drives unbanked consumers to alternative financial providers." *Canada's financial crisis drives unbanked consumers to alternative financial providers* | Mintel.Com, Mintel, 10 Mar. 2016, www.mintel.com/press-centre/financial-services/canadas-financial-crisis-drives-unbanked-consumers-to-alternative-financial-providers. Accessed 5 Sept. 2017.

² J. Buckland and X.-Y. Dong. "Banking on the Margin in Canada," *Economic Development Quarterly*, August 2008, vol. 22 no. 3, p. 253.

event of financial loss due to fraudulent activity, regardless of whether the financial institution holds any responsibility for that loss. These statutory and regulatory expectations present an inherent conflict to even a first step towards an open banking framework, and the Department should address these areas to foster a more vibrant fintech marketplace to encourage competition and better serve the pressing needs of Canadian consumers and small businesses. To take the more comprehensive approach towards open banking, based on our experience in other geographies, Yodlee has observed that there are two important principles that must be established and agreed upon by policymakers and industry participants for an open banking journey to be successful: traceability and accountability.

The concept of traceability conveys that any party accessing a consumer's data with their permission is identified through unique, coded headers embedded in the authorization call that party uses to access the consumer data required to fuel its service. Accordingly, every entity to which a consumer has permissioned their data is identifiable. In the event of a data breach, this chain of identifiers can be used as forensic evidence to trace the source of the breach to the party that was responsible.

Accountability is a principle that logically follows traceability. A successful open banking regime will implement traceability as a means of ensuring that any party responsible for a breach of consumer credentials is liable for any financial loss incurred by the consumer. To ensure this is the case, Yodlee suggests the Department pursue a system under which any participant in the open banking ecosystem must carry some minimum level of liability insurance commiserate with the potential risk they present to consumers in the event of a security event. Under a system in which both traceability and accountability are implemented, all parties involved in a breach would be aware of what entity was responsible and would have assurances that the responsible party is held liable for any losses, thus addressing the key hurdle that traditional financial institutions now face under the existing statutory and regulatory framework when their customers elect to use third-party tools.

Of course, all of this must happen under the umbrella of consumer consent that is based on appropriate disclosures, explicitly obtained and fully reliable. Canada's national, provincial and territorial privacy regulations fully support such a consent structure. In order for all parties in the ecosystem to rely on consumer consent, consent must be tied to an unassailable identity framework. Canada's governmental agencies and financial institutions are already working with industry to provide its citizens with secure and convenient access to governmental services via such a framework. Extending the concept of identity to include the citizen's consents (e.g. financial, healthcare, etc.) is the next step on this evolutionary path to a completely digital economy.

In some ways, Canada's open banking journey would be simpler than the United Kingdom's. A significant regulatory challenge toward implementing open banking for policymakers in the United Kingdom issue has been compliance with the Second Payment Services Directive ("PSD2"), a pseudo-open banking framework limited to payment accounts promulgated by the broader European Union. Because the United Kingdom's open banking regime must sit atop and be harmonious with PSD2, coordination with European policymakers on technical standards has

in some cases made more complicated the United Kingdom's open banking journey. Canada would have the benefit of designing its open banking framework free of such constraints.

Thus, while there are considerable challenges towards designing and implementing an open banking regime, Yodlee would strongly suggest that, at a time when Canadian consumers are facing challenges to using important third-party tools that can help them improve their financial state, the open banking journey is one well worth taking.

Yodlee's experience in other countries suggests that the path to a true open banking regime involves a significant investment of time by all of the stakeholders involved to ensure that the framework ultimately implemented provides consumer benefits while ensuring safety and soundness. We believe this time is well spent as it ensures a large return. That said Yodlee would suggest that as the Department examines the efficacy of an open banking regime, millions of Canadian consumers are being denied access today to financial technology tools that can vastly improve their financial wellbeing. Thus, more immediate action is needed. Yodlee therefore respectfully recommends that the Department, in consultation with the provincial securities regulatory agencies that directly supervise Canadian financial institutions, issue guidance making clear that Canadian financial institutions should not implement restrictive terms and conditions or technology that prohibits their customers from using beneficial technology-based tools.

Once again, thank you for this opportunity to provide Yodlee's perspective on potential policy measures that could strengthen Canada's economy and encourage innovation. Yodlee consents to the public disclosure of the comments we have provided, and I hope that you will not hesitate to contact me at sboms@yodlee.com or +1 (202) 997-0850 if we can be of any further assistance as the Department evaluates the merits of pursuing an open banking framework in Canada.

Sincerely,



Steven Boms
Vice President, Government Affairs
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