



Department of Finance
Canada

Ministère des Finances
Canada



CONSULTATION DOCUMENT

A Review into the Merits of Open Banking

January 2019



Canada

Overview

Building on input received from Canadians in the latest review of the financial sector framework, Budget 2018 announced the Government's intent to undertake a review into the merits of open banking. To guide the review, the Minister of Finance has appointed an Advisory Committee on Open Banking, which will be supported by a secretariat within the Department of Finance. Advisory Committee members will represent the broad interests of all Canadians.

The Advisory Committee will engage with Canadians in two phases. As a first phase, the Committee will assess the merits of open banking. Subject to these findings, the Committee will assess implementation considerations as a second phase in 2019. The purpose of this paper is to engage Canadians on the merits of open banking.

Following the completion of the Advisory Committee's work, the Committee will deliver a report to the Minister of Finance.

The following three core financial sector policy objectives will guide the review:

- **Efficiency:** the sector provides competitively priced products and services, and passes efficiency gains to consumers, accommodates innovation, and effectively contributes to economic growth.
- **Utility:** the sector meets the financial needs of an array of consumers, including businesses, individuals and families, and the interests of consumers are protected.
- **Stability:** the sector is safe, sound and resilient in the face of stress.

This paper seeks stakeholder views on the following questions:

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

Invitation for comments

Stakeholders are invited to provide written comments on the consultation paper through the Department of Finance at:

*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

Comments are requested by February 11th, 2019.

Submissions will be shared in their entirety with both the Advisory Committee and the Department.

Subject to the considerations below, the Department intends to make public some or all of the responses received and/or may provide summaries in its public documents. Stakeholders providing comments are asked to clearly indicate the name of the individual or organization that should be identified as having made the submission.

In order to respect privacy and confidentiality, please advise when providing your comments whether you:

- consent to the disclosure of your submission in whole or in part;
- request that your identity and any personal identifiers be removed prior to publication; or,
- wish that any portions of your submission be kept confidential (if so, clearly identify the confidential portions).

Information received throughout this submission process is subject to the *Access to Information Act* and the *Privacy Act*. Should you express an intention that your submission, or any portions thereof, be considered confidential, the Department will make all reasonable efforts to protect this information.

The Department will be responsible for managing submissions and any requests made under the *Access to Information Act* and the *Privacy Act*.

Contents

- 4** A Review into the merits of open banking
- 7** Potential benefits of open banking
- 12** Managing potential risks from open banking
- 15** Conclusion

WHAT IS

open banking?




When making purchases or carrying out daily banking tasks, consumers and small business generate a stream of information based on their individual transactions. This financial transaction data is currently held and controlled by individual financial institutions.

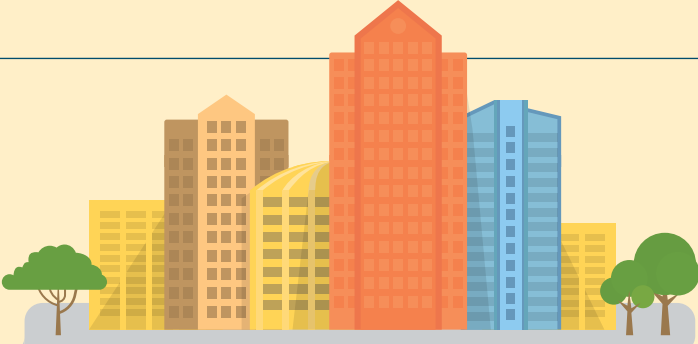
As depicted in the Chart below, open banking is a framework where consumers and businesses can authorize third party financial service providers to access their financial transaction data, using secure online channels. The benefit to consumers and businesses is that it allows them to access new products and services that enable them to better manage their financial affairs. In jurisdictions that have adopted open banking systems, participating service providers must meet standards with respect to privacy, security and operational stability. Additionally, consumers and small business can opt-in and opt out at any time and a clear system exists to manage inquiries and address complaints. In many respects, a benefit of an open banking framework is its potential to increase individual control over personal financial information.

Open banking holds the potential to reduce costs, improve Canadians' ability to manage financial services, and gain access to the wider range of services that the digital economy has to offer. In order to deliver on these potential benefits, any system must have appropriate consumer protection, while also supporting the continued resilience and stability of the financial sector.

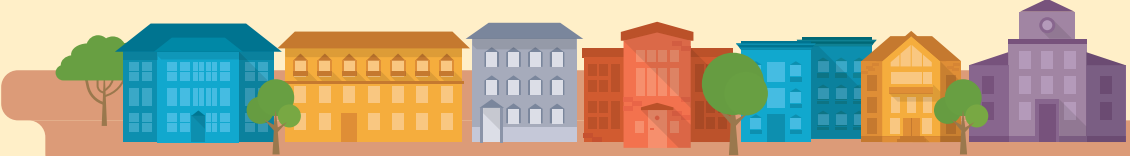
How an open banking system works:




Consumers and businesses are empowered to share their financial data with a broader range of financial service providers (FinTechs).




Subject to consumer consent, financial institutions share financial data with financial service providers that consumers want to work with. Companies must meet exacting privacy and security standards to access data.



FinTechs, banks and other providers develop and offer innovative financial services that draw on consumer and business financial data without requiring account login information.



Open banking services and applications analyze financial information across accounts, tailor product offerings and more. Consumers and businesses can opt out of the system any time.



To encourage consumers and businesses to participate, open banking systems need **effective safeguards** that **ensure the stability of the financial system, protect consumer privacy and rights**, and **ensure the security of participants' financial information**.

Box A: Illustrates one of the many potential applications of open banking.

Box A:

Dominique and Addison are parents of one child with another on the way. Dominique and Addison are contemplating purchasing a larger home in the next couple of years to accommodate their growing family. To inform their decision about whether to purchase a new home, the couple first want to gain a better understanding of their current spending patterns to determine whether they need to cut spending in order to save for the necessary down payment and larger mortgage.

They choose to look at the past two years' worth of transactions. In the absence of open banking, the process to gain these insights can be time consuming. Dominique and Addison have a number of financial accounts across different providers and need to review their monthly financial transaction statements (e.g., their respective bank statements, credit card statements and investment statements), categorize their transactions, calculate their spending on these various categories of goods and services, determine how much they need to save to attain their financial goals and then determine which expenses to cut, if any, to reach those goals.

With open banking, Addison and Dominique could authorize the sharing of their financial transaction data held by their financial institutions with a FinTech that offers money management services. The FinTech would review and consolidate their transaction history, categorize and provide insights into their spending, including the ability to set savings goals. Addison and Dominique could opt-in to the service when they choose and opt-out at any point, knowing that access to the accounts and their information are governed by clear rules and protections.

Many Canadians are already using in-market money management applications (apps). Some of the functionalities described above can be accessed by Canadians through their banks, or through a partnership a bank has with a FinTech. However, these existing apps do not offer the potential for consumers to choose the services and providers they find most useful, and do not capture the financial accounts a consumer may have across a number of providers.

Alternately, consumers may currently choose to use "account aggregation" apps provided by non-banks, which may require consumers to share their financial institution usernames and passwords in order for the application to access their transaction histories (a practice called screen-scraping). Doing so may violate the terms of the consumer's service agreements with their financial institutions and result in consumers unwittingly bearing the risk of loss. In addition, screen-scraping and other similar mechanisms raise privacy and security concerns, both for financial institutions and for consumers.

These innovations challenge existing regulatory frameworks to consider new ways to give Canadians more control over their personal financial information while at the same time protecting them from the consequences of privacy breaches and fraud. Open banking gives consumers the ability to provide their consent to allow for financial transaction data to be accessed without requiring consumers to give their personal login credentials to third party financial service providers. This can be accomplished through the use of secure data sharing mechanisms called application programming interface (API).

Through the assessment of potential market frameworks, like open banking, consideration can be given to how to manage these new risks and ensure that the market evolves in a way that delivers benefits for consumers, small business and a full range of Canadian firms.

A REVIEW INTO THE

merits of open banking

The financial sector in the age of digital transformation



Canada has a strong, well-respected financial sector that has proven to be stable, resilient and trusted by Canadians. In addition to the services it provides to Canadians – both consumers and small business – the financial sector is a source of economic strength and employment. Canadian financial institutions are also looking to the future and delivering new services for consumers, both through partnerships with new financial technology firms and via in-house innovation.

However, just as innovation and technological disruption continues to change all sectors of the economy, digital innovation is already transforming the financial sector. Both domestically and abroad, economic activity is increasingly moving online, with consumers and businesses generating exponential amounts of data. In a data-driven economy, companies rely on data to develop new business models, target consumer needs and grow their markets. The amount of data, coupled with the reduced costs of technology, mean new, non-traditional entrants into the financial sector can provide innovative ways for Canadians to access financial services.

The digital transformation of the financial sector, and supporting policy frameworks, have the potential to both better serve consumers and grow businesses and markets, contributing to the growth of the Canadian economy and Canada's global advantage.

Giving consumers the ability to provide third parties access to their financial transaction data can help unlock the application of data-driven digital technologies in the financial sector and can empower consumers to leverage their own data to receive more tailored services. It can improve financial literacy and access, and it can also help drive innovation among a vibrant ecosystem of firms to help support the growth of globally innovative and competitive companies.

Reviewing the benefits and risks

Open banking can increase consumer choice and improve financial outcomes for Canadians. Open banking is a framework that can promote a vibrant and more diverse ecosystem of financial services providers, including enhanced roles for FinTechs and small and mid-sized financial service providers. Establishing a competitive and dynamic framework for digital and data-driven financial services at home could help a range of businesses, from small start-ups to large incumbents, participate and thrive in the global economy.

For consumers and small business, the promise of open banking is the potential to use their own information to gain new insights into how to manage their money and access new products and services. Allowing consumer choice to flourish requires confidence that any potential open banking system has in place the safeguards to ensure that Canadians' rights as consumers are respected, their privacy is protected, their information is secure and that the financial sector continues to be stable and resilient.

In order to assess whether open banking would deliver positive results for Canadians, the review will initially consider its possible benefits and risks. While the primary objective of this paper is to facilitate a dialogue to assess the potential merits of open banking in Canada, stakeholder input on implementation considerations that would maximize the potential benefits of open banking and ensure consumer confidence is also welcomed at this time.

International experience has shown that market participants and consumers often look to governments to play a role in developing open banking systems that deliver benefits while mitigating risks. The Annex to this paper provides an overview

of the implementation approaches used by the main international jurisdictions with open banking regimes.

Scope and process

The focus of the open banking review will be in respect of financial transaction data (e.g., withdrawals or account balances) from federally regulated banks, as the Minister of Finance has responsibility for federal financial sector policy and legislative frameworks covering federally regulated financial institutions, such as the *Bank Act*. The findings from the open banking review may also provide useful observations for a system that would include a wider range of consumer data.

Enabling consumer control over the sharing of financial transaction data is core to most open banking frameworks. In addition, some jurisdictions are including payments initiation, whereby third party financial service providers can make payments on behalf of consumers and small business directly from their bank account, within their frameworks. In Canada, Payments Canada is currently working towards the modernization of the infrastructure for retail and large

value payments systems. Should the Government proceed with open banking, appropriate staging and alignment with payments modernization would be undertaken. Stakeholder views are welcomed on whether payments initiation should ultimately form part of an open banking framework.

Given the context of digital transformation more broadly, other government initiatives are currently underway that will inform the open banking review. An economy and Government-wide lens is needed to understand how existing regulatory and policy frameworks apply and to ensure these frameworks are well adapted for the digital economy.¹

The Government is consulting with Canadians through the National Digital and Data Consultations, in order to understand how Canada should position itself in the digital economy, including measures to promote greater trust in data sharing and use. Additionally, the Government has called for cybersecurity to be the companion of innovation and has released a new National Cyber Security Strategy. This paper welcomes feedback on these considerations as they relate to the risks and benefits of the application of open banking.

¹ Considerations pertaining to consumer protection, privacy, cyber security and financial stability are also common across all international jurisdictions that are either contemplating or implementing open banking. As such, the Advisory Committee will look to the international experience to gain a better understanding of how different jurisdictions have considered and managed these risks.

POTENTIAL BENEFITS OF open banking



From the view of balancing financial sector policy objectives outlined in the Overview section, open banking could increase the efficiency of the financial sector by promoting a vibrant and more diverse ecosystem of financial services providers and thereby increase the utility of the sector by delivering innovative and useful offerings for consumers and small business at low cost. Canadians who may not have standard financial needs may also have improved opportunities to access financial services. Finally, open banking may increase consumer control over their own information, to be used for their own benefit.

Enhanced choice in Canada's financial sector

Open banking has the potential to deliver more affordable and innovative financial services to consumers and provide credit to dynamic, cutting-edge areas of the economy.

Open banking holds the promise of providing a wider range of market participants with access to consumer financial transaction data that can, in turn, be leveraged to develop products and services that are more tailored to consumer and small business needs and preferences.

What open banking could mean for...

LARGE NATIONAL BANKS
THAT OFFER THE FULL RANGE
OF FINANCIAL SERVICES?



Banks can leverage their brands and customer bases to partner with other firms and offer new, innovative services.



SMALL- AND MID-SIZED
FINANCIAL SERVICE PROVIDERS?



Smaller providers have higher profile online and can better attract new customers thanks to simplified account switching and other functionality.



NEW FINANCIAL SERVICE
PROVIDERS LIKE FINTECHS?



New service providers can offer tailored, consumer-centric products out of the gate so they can scale faster and grow more independently.



Open banking has the potential to **boost the competitiveness of the financial sector** by giving a **wider range of players access to financial data** they can use to develop **new and more tailored products and services**.

For large banks that provide a full spectrum of financial services to Canadians, open banking may provide a new means to leverage their brands and extensive customer base to develop partnerships with firms that bring together other services with banking. It may also increase their global competitiveness with other banks and technology companies that are forging ahead with new platforms for customers. For small and mid-sized financial banks, open banking may also increase their ability to attract new customers, through easier account-switching processes or reduced friction in having accounts across different providers.

For new financial service providers, such as FinTechs, open banking may increase their ability to grow and scale their business more quickly and independently by providing them access to data. With consumer consent, FinTechs could access the financial transaction data needed to bring tailored consumer and business centric products and services to market irrespective of whether they have an existing contractual relationship with a bank or which bank provides services to a given consumer.

Open banking may also improve FinTechs' ability to reliably serve their customers as their access to data is guaranteed and friction points in the interoperability of different systems are reduced.

Increasing the innovative potential in Canada, with a policy and legislative framework that is adapted to the digital and data-driven economy, could increase the opportunities for Canadian businesses, large and small, to thrive in the global economy.

For consumers and small business, the promise of open banking and the innovation that it may generate and accelerate is the potential to gain new insights into how they manage their money and to access new products and services. Open banking could improve consumers' control over their own personal financial information and allow them to leverage their own information for their benefit. A robust open banking framework could also enhance existing privacy and security considerations as it is customer-built to address data-sharing concerns, instead of evolving on an ad hoc basis to catch up to existing data sharing practices.

By sharing financial transaction data with authorized providers, open banking could lead to the development of the following types of useful applications.

For consumers:

- Innovative applications from providers with new ideas on how to use financial transaction data to make transactions easier or improve financial insights and increase financial literacy across generations.
- Functionality that facilitates account switching or more convenient ways to manage accounts with multiple financial services providers.
- The ability for consumers to input information about their financial history to receive offers for financial products that are personalized and targeted to their financial needs.
- The ability to access financial services consumers may not otherwise be able to access (for instance, the ability to access credit on the basis of non-traditional credit risk models).

For small business:

- Reduced red tape burden by providing useful, digital services that are delivered seamlessly and safely, saving time and frustration.
- Improved platform applications, such as auditing, accounting and tax services into a single interface that allows new operational insights and functionality to reduce the complications of running a small business.
- Faster adjudication of small business loans, auto financing and mortgages, with greater variety and flexibility. This could include analysis of spending data to enable customized loans, including the possibility of receiving lower rates.

International experience suggests that open banking also holds the promise of greater financial inclusion and access for consumers. Innovative products and services in jurisdictions where open banking is being implemented include:

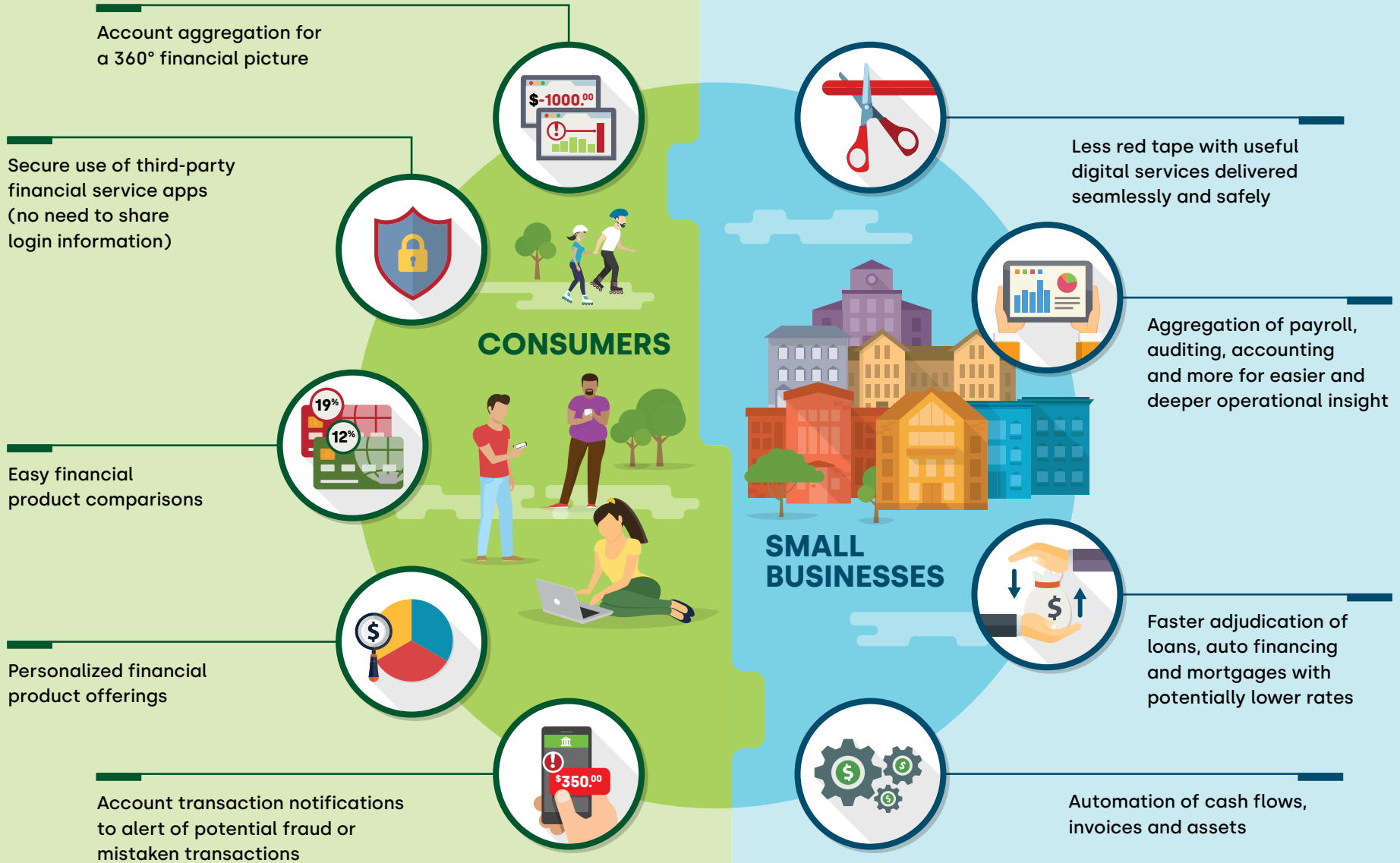
- For seniors, applications that act as an 'account assistant' to help them manage their account remotely and pre-populate forms and applications for financial products and services, still giving the account owner control over final decisions.
- For newcomers and individuals with limited credit histories, lenders that look to a consumer's spending patterns to inform decisions on whether or not to grant credit.

- For those with variable incomes, including the financially marginalized, access to low cost, automated financial advice and new applications that automatically inform consumers when to transfer money among different accounts to avoid overdraft fees.

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.



In an Open Banking System



MANAGING POTENTIAL RISKS

from open banking



For an open banking framework to deliver on its possible benefits, it must secure customer trust by having appropriate consumer protection and privacy safeguards, and support the safety and soundness of the financial sector.

The review into the merits of open banking is being undertaken in the context of digital and data-driven transformation in all sectors of the economy, where new or non-traditional market players are delivering both increasingly digital services and innovating to create new lines of business. These market dynamics are changing how risks develop and are addressed. Policy and legal frameworks must adjust as appropriate to manage risks. Consumers will also need to be well informed and educated on their rights and responsibilities with respect to data management.

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.

Ensuring consumers are informed and protected

Open banking would create a new system of services and relationships between consumers and service providers. Rules governing the system need to assure Canadians that their

information will be protected and used according to their direction.

Furthermore, Canadians should be aware of what they are consenting to when using services. Any potential open banking framework needs to be accessible to all and treat Canadians fairly. In the event that something goes wrong, Canadians must be assured that mechanisms for recourse and redress are available. In the context of open banking and the broader digital economy, the rights and responsibilities of consumers in the management of their data needs to be clear and well understood by Canadians.

This consultation paper seeks views on what specific consumer protection elements are needed for the sharing of financial transaction data under open banking.

Protecting the privacy of Canadians' information

At present, Canada's privacy framework² has legal requirements for all commercial actors when it comes to the treatment of Canadians' personal information,

including their financial information. These principles-based legal obligations are the same for all players across the economy.

Participants in an open banking ecosystem must understand their obligations under Canada's privacy laws. The corollary of this is that, in order for an open banking framework to be successful, consumers must also understand their rights and obligations with respect to privacy and security. Consumers and commercial actors must work together to ensure, for instance, that consumers understand the terms they are agreeing to when using a new service as currently, terms and conditions can be lengthy, legalistic and inaccessible to the average person.

Under open banking, consumer control over their own information is the starting point to allowing financial transaction data sharing. This consumer control is embodied in the concept of consent, the right of individual to choose to (or not to) allow a proposed use of their personal information. As a result, it would be critical that consumers are well informed and, that their consent is meaningfully and properly obtained.

In order to address privacy expectations, other jurisdictions have introduced new framework policy legislation, or considered amendments to their existing privacy requirements to ensure consumer consent is meaningful and well informed. This includes approaches such as the European Union's General Data Protection Regulation, which outlines specific privacy standards and sets a framework for the management of personal information in data based applications.

This consultation paper seeks input on managing the risks or enhancing the benefits that open banking may pose from a privacy perspective.

Securing consumers' information and managing cyber security risks

The digital economy is creating new risks to the financial system as interconnection increases and personal financial information is accessed by more parties. In this context, Canada's financial system, both financial institutions and government

² *The Personal Information Protection and Electronic Documents Act (PIPEDA)* is the federal privacy law for private sector organizations. It sets out ground rules for how businesses must handle personal information in the course of commercial activity. Alberta, British Columbia and Québec have privacy legislation that has been deemed "substantially similar" to PIPEDA, which means that it is applied instead of PIPEDA.

regulators, continue to prioritize cyber resilience and has invested significant resources in building and maintaining cyber resilient systems.

Cybersecurity risks are not unique to open banking. They exist across sectors and industries. In certain respects, open banking could mitigate cyber risks (e.g., those risks arising from the use of screen scraping, where service providers centrally store the unencrypted login credentials of customers, making them vulnerable to a cyber attack). However, as open banking increases data sharing and contact points, it could also potentially introduce new or increased risks (e.g., new companies connecting to and accessing data from the traditional financial services sector). Potential risks would need to be assessed and appropriate mitigation measures considered.

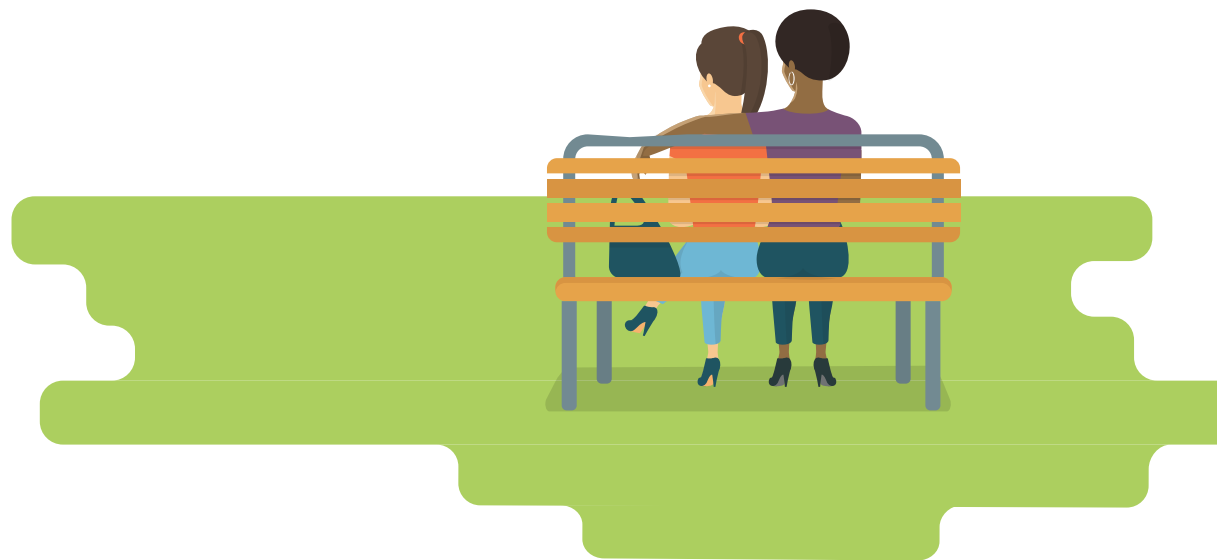
This consultation paper seeks input on managing the risks or enhancing the benefits that open banking may pose from a cyber security perspective.

Maintaining the safety and soundness of the financial sector

Canada has a stable financial sector that has earned the confidence of Canadians. The Department works closely with Canada's financial sector regulators to continuously adapt legislative and regulatory approaches to account for new risks, and ensure compatibility with a changing global business environment. For example, cyber security can pose operational risks to financial institutions and must be managed to promote financial stability.

Open banking represents potential opportunities for consumers and small business to gain more relevant financial information and better optimize their savings and borrowing decisions, leading to a more efficient allocation of consumers' financial resources. At the same time, this may mean new patterns of financial flows through the financial sector as consumers move funds to new providers to gain cost and efficiency benefits.

This consultation seeks stakeholder perspectives on whether open banking presents new prudential risks to financial institutions, and related mitigants to those risks.



Conclusion



The Government has launched a review into the merits of open banking, which can promote a vibrant and more diverse ecosystem of financial services providers in the financial sector, and offer useful and innovative services to consumers and small business. To allow consumer choice to flourish, there will need to be confidence that any potential open banking system has in place the safeguards required to ensure Canadians' rights as consumers are respected, their privacy is protected, their information is secure and that the financial sector continues to be stable and resilient.

This paper seeks stakeholder views on the following questions:

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

ANNEX:

Open banking in other jurisdictions



International jurisdictions have taken a variety of different approaches to the implementation of open banking. The observations below are not exhaustive assessments of each jurisdiction, but rather serve to illustrate the variety of approaches that exist.

United Kingdom

Model:

- Government-led initiative: Introduced in January 2018, through a managed roll-out. Started with data sharing for chequing accounts.
- Scope: Data sharing and payment initiation.

Consumer choice:

- The Competition and Markets Authority mandated the creation of an open API banking standard for the U.K's nine largest incumbent banks, and noted that such a standard, "has the greatest potential to transform competition in retail banking markets."
- The timely development and implementation of an open API banking standard was viewed as the tool with the greatest potential to transform competition between banks.

- Common technical standards were established to ensure a level-playing field and equal access for all players. Technical standards were set by an industry working group, with representation among different market players.
- Consumer take-up is yet to be determined, as implementation only began in January 2018. However, PricewaterhouseCoopers forecasts the market could grow to 8.1 million consumers and 2.4 million small business customers and be worth £2.3 billion by the end of 2018.³
- The not-for-profit entity responsible for implementation (Open Banking Implementation Entity, or OBIE) included a focus on consumer benefits and appointed two customer representatives, one for consumers and one for small business.

Confidence in the System:

- The industry-led OBIE was set up to implement open banking in 12 months. Among many other initiatives, the OBIE:
 - set out specific requirements for consumer consent, authentication and authorisation;

- implemented a complaints handling process in the event of breaches to the open banking standards; and
 - created an Open Banking Service Desk to receive complaints and a Complaints Resolution Committee for disputes.
- Third parties require authorization by the Financial Conduct Authority to participate in the ecosystem. Firms registered must carry professional indemnity insurance or provide some other comparable guarantee.
 - The European Union General Data Protection Regulation (GDPR) sets out ground rules for data usage and privacy, which applies to open banking.
 - The Bank of England and the Financial Conduct Authority published a discussion paper to solicit feedback on how upcoming rules on operational resilience (including cyber resilience) for financial services firms should be designed.



European Union

Model:

- European Union-led regulation (the Second Payment Services Directive, or PSD2) requires large banks to open up access to account data and payment initiation without prescribing a standard API.
- The PSD2 came into effect on January 13, 2016 and gave EU member states two years to transpose the Directive into national law.
- Regulatory technical standards are being developed which will operationalize technical requirements by September 2019.
- Scope: Data sharing and payments initiation.

Consumer choice:

- Banks are required to grant authorised third-party providers access to customer payment accounts.
- Consistent with the intent of regulation, incumbents and governments should not create barriers to

³ <https://www.pwc.co.uk/press-room/press-releases/open-banking-market.html>

entry (e.g., including contractual). New entities that have emerged in Europe under PSD2 include: challenger banks, overlay service providers, payment initiation service providers, information access providers, and account information service providers.

- Full implementation will occur with the launch of the technical standards.

Confidence in the System – General Data Protection Regulation (GDPR):

- GDPR came into force on May 2018 and is the primary law regulating how all companies protect the personal data of EU citizens.
- Some of the features of GDPR include data minimisation, the right to data portability and building in data protection at the beginning of designing systems (known as Privacy by Design).
- GDPR requires explicit consent and that customers are made fully aware of how their personal data will be used and by whom. It also includes the ability to revoke consent at any time.

- GDPR also imposes legal duties on organisations to protect customer data and to ensure its accuracy and completeness.



Model:

- Government-led initiative, as part of broader efforts towards consumer data rights and enabling competition.
- Phased implementation, starting with credit/debit card and deposit/transaction accounts by July 2019 (12 month window), and expanding to mortgages by February 2020.
- Scope: Data sharing only, no payments initiation.

Consumer choice:

- The Government of Australia announced its intent to pursue Open Banking in May 2017, in part to, “empower customers to seek out better and cheaper services.”
- Open banking is to be regulated by the Australian Competition and Consumer Commission.

- A number of initiatives, reports and inquiries have looked at competition in the financial sector and the role of access to data in driving productivity.
- As implementation has not yet been finalised, consumer take up is still to be determined.
- Open banking is part of a Consumer Data Right being implemented across the economy, starting with the banking sector, followed by the energy, telecommunications and other sectors.

Confidence in the System:

- The regulation of open banking and related privacy protection is to be supported by the Office of the Australian Information Commissioner.

A data standards body has been established with necessary technical expertise and industry experience to develop standards. It is anticipated that the government-appointed chair of the standards body will work with the competition regulator to establish governance, process, and plans.



Japan

Model:

- Open banking is on an efforts basis. Financial institutions have discretion to opt-in to open banking but must comply with specific rules if they do.
- Announced in the Government's "Growth Strategy, 2017" and committed to install Open APIs in more than 90 banks by 2020.
- Scope: Data sharing and payment initiation.

Consumer choice:

- The Financial Services Agency, Japan's prudential regulator, and the Financial Systems Council framed their approach around competition and innovation, among other factors, through reports such as the November 2017 'Strategic Direction and Priorities Review', and the Final Report of the Financial System Council's Working Group on Payments and Transaction Banking in December 2015.

- As implementation is ongoing, the level of consumer take up is yet to be determined. Over 100 Japanese banks are expected to support open APIs by 2020.
- The Financial Services Agency launched a support desk for inquiries and information on FinTechs.

Confidence in the System:

- The efforts of the Japanese Bankers Association's Open API Review Committee served as a driver for Japan's implementation. The Committee consisted of a broad range of experts and representatives across sectors.
- Individual banks launch their own open APIs. Third party service providers are required to register with a regulator and establish contracts with the banks.
- The Government has advanced a series of legislative amendments, including in the Banking Act, to provide a new regulatory framework for electronic payment service providers.



United States

Model:

- Has not adopted an open banking framework.
- A number of U.S. financial institutions provide access to proprietary APIs for vetted third parties.
- Scope: Discussions to date among banks, FinTechs, intermediaries and regulators primarily focused on data sharing.

Competition/Confidence in the System:

- In a recent report to the President, the U.S. Department of the Treasury has identified the need to remove legal and regulatory uncertainties currently holding back financial services companies and data aggregators from establishing data sharing agreements that would effectively move firms away from screen scraping to more secure and efficient methods of data access.
- It also notes that the US market would be well served by a solution developed in concert with the private sector that addresses data sharing, standardization, security and liability issues.

