



# From Framework to Value:

Maximizing the Potential of Open Banking

**Deloitte.**

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# Introduction

As the path to Open Banking in Canada becomes clearer and picks up pace, the Financial Services Industry needs to broaden its focus from aligning on a framework to maximizing the value that Open Banking will deliver to Canadians and Canadian businesses. The Department of Finance's Policy Position in the 2023 Fall Economic Statement marks a pivotal moment, signalling the formal kickoff of Open Banking policy development, with a target go-live in 2025. Similarly, the U.S., led by the Consumer Financial Protection Bureau's proposed rulemaking in 2023, anticipates launching its Open Banking model in Spring 2025.

Regardless of the path taken, enabling Open Banking will require considerable investments – both for holders of customers' financial data and the industry at large. To ensure these investments can deliver as much value as possible to Canadians, deliberate efforts are required on promoting consumer adoption of Open Banking and leveraging Open Banking to solve the most pressing issues of Canadians. Furthermore, Open Banking is the first step towards the data economy, where the value is generated through data flows rather than data ownership. Maintaining a productive and healthy data economy will require collective efforts across the industry and policymakers.

# Building Trust: Fostering Confidence in Open Banking

Earning consumer trust is paramount to the success of Open Banking as the trust sets the foundation for adoption. While many Canadians have experiences with digital data sharing and some already share their banking data online, the general awareness and comfort on Open Banking is still low. Based on Deloitte's study, a 21% gap exists between Canadians who are interested in Open Banking and those comfortable sharing data through Open Banking.

To close this gap, proactive steps must be taken to address concerns and increase awareness. Collaborative efforts on consumer education and awareness across financial institutions and regulators are often highlighted as a critical piece to build consumer trust. In addition, financial institutions – traditional and emerging – can collaborate on creating intuitive and transparent experiences across how Open Banking is explained to consumers and consent is captured. Consistency, clarity and consumer-friendly terms are key to build trust quickly. Leveraging insights from existing data sharing practices, stakeholders can tailor their approaches to mitigate risks and emphasize security measures.

Moreover, efforts to close the diversity, equity, and inclusion (DE&I) gap in Open Banking trust are essential. A deeper examination of customer segments reveals many opportunities for better equity and inclusion. Canadians who identify as female are less likely to be comfortable sharing their financial information than those who identify as male (30% vs. 50%), despite that they would find equal value in Open Banking. Similarly, only 32% of Canadians over the age of 55 say they would feel comfortable with Open Banking. By prioritizing accessibility and inclusivity in Open Banking initiatives, stakeholders can ensure that all Canadians feel empowered to participate and reap the benefits.

The industry can consider the following tactics to further increase Canadians' trust in Open Banking:

- **Increase awareness:** Both financial institutions and regulators should consider launching dedicated programs to educate Canadians on

how open banking works, how data sharing through open banking is different from today's data sharing processes, the value of Open Banking, and the risks/safeguards associated with participating.

- **Gear features towards consumers' wants and needs:** Prior to implementation, financial institutions may consider conducting options analyses embracing an agile implementation methodology to gain more targeted insights into the Open Banking use cases that appeal most to their target customer base, prioritizing the use cases that are forecast to meet the enterprise's required return parameters.
- **Focus on success for diverse user groups:** With Open Banking implementation on the horizon, financial institutions should take the opportunity to assess their strategies and ensure that they have accessibility in mind when adopting Open Banking. As the data has demonstrated, Open Banking is primed to attract users who already possess a healthy financial standing, but risks overlooking those who could benefit from additional supports, such as easier access to credit. Similarly, the gender gap in familiarity and comfort with Open Banking must be closed. Focusing on these equity deserving segments can offer tangible opportunities for more Canadians to benefit from open banking.
- **Ensuring transparency on security measures:** Financial institutions will need to create clear, easy-to-read, consumer-friendly documents that explain their policies and procedures on security measures. Front-line staff will need to be trained to explain these measures to consumers, and customer service representatives will be trained to handle any complaints or inquiries related to Open Banking security. Financial institutions should be prepared to handle the increased volume of security-related Open Banking inquiries well in advance of implementation. By building an established brand for Open Banking, financial institutions will inherently



- build trust amongst consumers in the system— helping to bridge the gap between Canadians who find value in open banking use cases (66%) and those who are not comfortable in sharing their information once the framework has been implemented (45%).

## Addressing Friction: Leveraging Open Banking to Solve Real-World Challenges

Along with trust, compelling applications are the critical pillar to drive Canadians' adoption of Open Banking. Because Open Banking is a consent-driven data sharing practice, providing sufficient value to Canadians in exchange for their data is key to well-adopted applications. In other markets, many organizations often focused on the enterprise value of Open Banking data over the value delivered to consumers – as evidenced in simple account aggregation applications – which has led to slower adoption. Successful Open Banking applications will focus on solving real friction points experienced by consumers today.

Concurrently, Open Banking presents an opportunity to address pressing societal issues experienced by Canadians and Canadian businesses at large. Many of these challenges are amplified by the lack of accessibility to high quality advice and insights, which Open Banking can help scale by eliminating manual data gathering processes and creating proactive interaction models. By focusing on these issues, financial institutions can increase the chance of delivering value to their customers, benefiting from data collected, and serving their purpose.

Key areas where Open Banking can help address Canadians' most pressing issues would include:

- With an aging population and the shift away from traditional pension plans, many Canadians are concerned about their ability to adequately save for retirement. The rising cost of living and healthcare expenses, coupled with longer

life expectancies, has heightened the urgency of retirement planning. Open Banking can arm users with a holistic view of their financial health, including retirement savings, investment portfolios, and debt obligations. This visibility, coupled with actionable insights, enables individuals to make more informed decisions about their financial future, facilitating proactive retirement planning and ensuring adequate savings to meet long-term goals.

- Meanwhile, housing affordability has become a significant concern, particularly in urban centers where housing prices have skyrocketed in recent years. Many Canadians struggle to afford homeownership, leading to a growing rental market and concerns about housing stability and affordability. Pain points include the overwhelming amount of attention needed to set aside cash and balance cash flow across spending, borrowing, and saving. Open Banking can provide first-time home buyers with the tools needed to plan for such a large purchase, including how much to set aside, how long to save for, and where to park their funds between registered savings and investment vehicles.
- Canadians carry significant levels of household debt, including mortgages, credit cards, and personal loans. Managing debt and avoiding financial distress are ongoing challenges for many individuals and families, particularly amidst economic uncertainty and fluctuating interest rates. Many Canadians are spending



- more than they earn and want more effective ways to regulate spending and start to save— addressing worries ranging from staying on top of various debt channels to facing delinquency challenges in the future. Open Banking can tap into a holistic view of a financial position to offer greater savings through lower interest options (vs. typical credit card financing) with flexibility of paying for repayments in affordable installments, with limited manual discovery and onboarding effort.
- Small businesses are the back-bone of the Canadian economy, representing over 98% of businesses. However, many sole proprietors and small business continue to face unprecedented times, struggling with cashflow management and insolvency concerns. These segments are often dealing with cashflow shortcomings in a reactionary way, which is not ideal with available options in the market. Open Banking presents an opportunity to reconcile personal and sole-owner business banking accounts and sources of credit/ debt. Businesses can be offered with a single view of all cashflows to provide forward-looking insights on cashflow uncertainties and advice on how to close those gaps. Additionally, lenders can cut the lengthy process for accessing working capital by offering continuously available and ongoing real-time prequalification by aggregating transaction history— augmented by external sources like receivables and payables, sales, records, and digital traffic.

In addition to Open Banking, leveraging emerging technologies such as artificial intelligence and machine learning can unlock new possibilities for addressing these challenges in innovative ways. By embracing a culture of experimentation and continuous learning, stakeholders can drive the evolution of Open Banking solutions that truly make a difference in the lives of Canadians.



# Envisioning a Thriving Data Economy: Navigating Privacy and Regulation

In today's digital age, data has become a valuable commodity, driving innovation, powering businesses, and shaping industries. As Open Banking intersects with the broader data economy, stakeholders must navigate evolving privacy and regulatory landscapes. In parallel to Open Banking, a revised privacy framework is expected to be introduced to include a pillar on data portability, opening the potential for broader data access across various industries, including open access to financial data.

Canada stands at the threshold of a transformative era with Open Banking, poised to amplify benefits to Canadians through the seamless flow of financial data. However, as Open Banking intersects with the broader data economy, it becomes imperative to consider the nuanced circumstances of various sectors. This transition necessitates addressing challenges such as the lack of digital adoption across select segments of the population, ensuring secure digital credentials, and safeguarding sensitive data. By embracing Open Finance and Open Data initiatives, we unlock the potential for broader data access across industries, including financial services, healthcare, and beyond. The benefits of Open Finance and Open Data are clear – it empowers customers to make more informed choices, embrace more provider options with lowered switching costs, and receive more personalized products and services. However, as we consider the expansion of consumer-led data sharing, we must take into consideration sectoral contexts – including market composition, digital adoption, and heightened privacy concerns – and coordinate across policymakers and regulators.

In a flourishing data economy, there exists a risk of data being pooled disproportionately to organizations with access to difficult-to-share proprietary data, potentially creating an uneven playing field. Especially at the early onset of Open Banking where only federally regulated financial institutions are mandated to provide access to data, this competitive gap might widen with other well-capitalized players outside of the sector. To address this challenge, it is essential to implement measures

that promote fairness and equity in data access and utilization. This includes establishing frameworks that mitigate disparities in data access and ensure that the benefits of data sharing are distributed equitably across stakeholders. By leveling the playing field, we can foster a competitive landscape where organizations of all sizes can thrive, driving innovation and economic growth while safeguarding consumer privacy.

Finally, more competitive means of securing data, including bilateral partnerships and consortiums, will continue to play an important and differentiating role in the data economy. As organizations pursue these arrangements, it is paramount to continue evolving privacy and regulatory approaches to balance innovation with protecting Canadians' privacy. Informed consent should continue to play a pivotal role in these competitive data sharing arrangements. Adopting authentication and consent best practices introduced as part of Open Banking in these arrangements could further increase consumers' confidence while raising the bar across the industries.

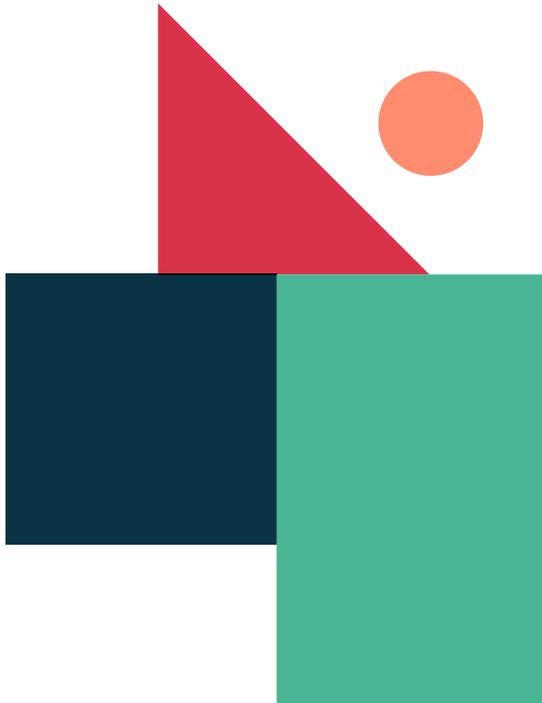
To ensure that Canada becomes a front-runner in the new economy, we need citizens, businesses, and governments to align and recognize the value of consumers' data rights. Navigating the intersection of Open Banking and the broader data economy requires a multifaceted and multi-stakeholder approach that prioritizes transparency, fairness, and privacy. By transitioning to Open Finance and Open Data, creating a more even playing field, and balancing competitive data partnerships with privacy mandates, Canada can pave the way for a thriving data economy that benefits all stakeholders. Citizens must have baseline knowledge of the value of data, understand how it functions, and know their rights. Businesses must invest in their data infrastructure and capitalize on the country's highly skilled and diversified talent base to innovate and improve their offerings. Finally, governments at all levels must continue to modernize their services, build digital policies to prevent data misuse, and create smart regulations that benefit businesses and citizens alike.



# Concluding Thoughts

Maximizing the potential of Open Banking is no small task and will require multi-stakeholder collaboration as the framework development did. However, if we do not proactively shift our focus to customer trust and value, we may not generate sufficient return on the collective investment made on Open Banking. By building trust, addressing Canadians' most pressing challenges, and setting the stage for a broader data economy, stakeholders can unlock the transformative potential of Open Banking, driving positive change and empowering individuals and businesses across Canada.





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