

Keynote Address at Canada's Open Banking Expo 2024

**by Andrew Moor, President and CEO,
Equitable Bank**

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Good afternoon.

Thank you for attending and thank you to the Open Banking Expo team for inviting me back again. This is a great event and an important cause that we will continue to support in the years ahead.

Last year, I lamented the fact that open banking was still not reality. With apologies to their fans, I likened it to the saga of the Toronto Maple Leafs: lots of hype, no results.

12 months later, Toronto is still without the Stanley Cup and Canadians still don't enjoy open banking, a real-time rail, digital ID or a truly competitive financial services market.

However, light has appeared at the end of this long and twisted tunnel. On April 30th, the federal government introduced a draft Consumer-Driven Banking Act or CDBA.¹

I'd like to believe that we are truly on the doorstep of open banking and that when all is said and done, the wait will be worth it. However, fundamental questions remain unanswered and I for one am not willing to blindly trust that what's before us will result in the best outcomes for Canadians in a reasonable timeframe. Put more directly, we need to continue the fight for what's right rather than celebrate what could be nothing more than another layer of innovation-stifling bureaucracy.

Today, while maintaining a spirit of hope and optimism, I offer a read-between-the-lines analysis of the government's stated intentions to highlight some troubling features and unanswered questions.

Then I will offer my prognoses for open banking in Canada over time and finish up with a call to action.

Let's get to it.

¹ Budget 2024: Canada's Consumer-Driven Banking Framework, [Budget 2024: Canada's Consumer-Driven Banking Framework - Canada.ca](#)

In its fall economic statement and re-iterated, in part, in the 2024 Consumer-Driven Banking Framework², the government articulated three policy objectives for consumer-driven banking:

- Safety and Soundness of the Financial Sector
- Protecting Canadians' Financial Well-Being
- and lastly, Economic Growth and International Competitiveness

I am all for safety and soundness, full stop. But in reading the text, it seems to me we should be focusing on the central importance of spurring innovation and competition while recognizing this has to be achieved in a safe and sound manner. In case you wondered, the word "protect" appears 17 times over the 8-page Framework, "innovation" is used 3 times and competition gets one measly mention.

That's sad since I think we can all recognize that Canada's banking system lacks the competitive intensity and serial innovation that benefits millions of people in other Western democracies.

I also find it ironic that the Framework warns that nine million Canadians currently engage in screen-scraping, which the government says "raises security, liability, and privacy risks to consumers and the financial system." If the government is so concerned about these risks, why take 7 years to come up with draft legislation?

Safety and competition are not mutually exclusive, but you'd never know it looking at Canada's banking system.

It has evolved under the guise of a false belief that any form of competition belies overall financial sector stability and safety and that an appropriate balance cannot be achieved. I don't believe that for a minute.

Research published in the 2021 Bank of Canada Working Paper *Bank Runs, Bank Competition and Opacity*³ states that it is not "socially desirable" to introduce "perfect competition" as it could lead to instability and bank fragility. However, the authors did endorse the idea of creating an "intermediate level" of competition. I think we are far below that state of being in Canada today.

To me, true open banking could well give us that socially desirable mid-point of competition, but only if policymakers actively seek it and recognize that in OSFI, it has a prudential regulator that is incredibly effective in protecting the integrity of the system and that will continue even in an open banking environment.

² 2023 Fall Economic Statement: Policy Statement on Consumer-Driven Banking [2023 Fall Economic Statement: Policy Statement on Consumer-Driven Banking - Canada.ca](#)

³ Bank Runs, Bank Competition and Opacity, Toni Ahnert and David Martinez-Miera, 2021 Bank of Canada, [Bank Runs, Bank Competition and Opacity \(bankofcanada.ca\)](#)

A lack of balance is compounded by the fact that beyond the Department of Finance, federal financial sector regulators in this country do not have a mandate to encourage competition. That's a stark contrast to the UK where 3 regulatory authorities promote competition and the fourth – the Bank of England – possesses a secondary objective of facilitating innovation.

I believe that the advantages the government has bestowed on Canada's biggest players to achieve safety are not "socially desirable" because they come at a high cost to Canadians in the form of limited choice and some of the most expensive financial services in the Western world.

The consultants at Alberta-based North Economics tell us that Canadians could save \$8.5 billion annually with a more competitive market.⁴ Tell me, are excessive chequing account and bank service fees the price we need to pay to ensure the safety of the system? I think not.

As I said, I am all for maintaining safety, which is a key and important attribute of the Canadian system, but I think there is a better way to strike a balance of interests so that growth, innovation, and competitiveness are given their due.

I know there are bankers like me who support greater competition including many employees of Canada's largest institutions.

Nonetheless, the official public statements by Canada's biggest banks have not been helpful to our cause. In their 2019 submission to the Open Banking Advisory Committee, the big six said

"open banking exacerbates the risks to the financial system as a whole, particularly in the areas of consumer protection, privacy and confidentiality, and financial crimes."⁵

To me, that feels like protectionism rather than a constructive statement that proposes solutions to achieve a better balance for Canadians.

Of course, it's good to see the government finally acknowledging that consumers and small businesses should get "choice" but there is so much more that the legislation's purpose statement could and should have said.

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⁴ Competition in Canadian Retail Banking, Proposals for Market Reform, North Economics, 2024, [Competition in Canadian Retail Banking - North Economics](#)

⁵ BMO, CIBC, National Bank, RBC, Scotiabank and TD Bank Submission to The Advisory Committee to the Open Banking Review Financial Institutions Division, 2019 [ob-bo-05-en.pdf \(canada.ca\)](#)

Notably in their open banking submission five years ago, the big six also advocated for a market-driven rather than government-led approach because they argued that Canada's financial services sector is "particularly conducive to private sector collaboration to achieve public policy objectives and improve service options."

In that time, absolutely nothing has been done collaboratively to change the status quo so I think we can safely ignore that argument.

For whatever reason, be it resistance to change, inertia or something worse, Canada struggles to complete major country-building exercises in the 21st century. As evidence, I would point to the - real-time rail which is still off the rails 7 years after Payments Canada launched its delivery roadmap.

Canadians have done some remarkable things since Confederation. Drove the last spike in 1885

to connect our country by CPR rail. Completed the St. Lawrence Seaway. And connected PEI to New Brunswick by bridge. So why is it so damn difficult to deliver a real-time payment capability?

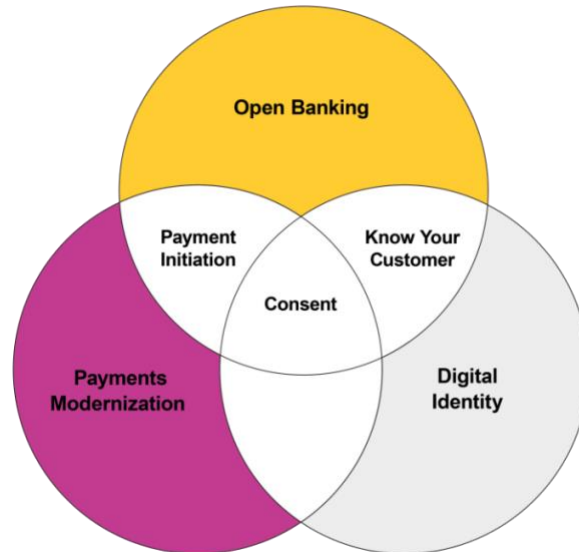
It's clear that despite significant engagement, this effort has been a complete debacle. Canada deserves better. Much better. We're now informed that the system will be ready for "testing" in 2026.⁶ How depressing is that, especially considering that Canada built a 5,000-kilometer-long railway in just four years while this effort has already taken 7. I don't need to remind you that we really need a real time rail as an alternative to emails as a proxy.

At Equitable, we've long seen payments modernization and a digital ID as closely linked with open banking.

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⁶ Laying Bare the Evolution of Payments in Canada, Ron Morrow, Payments Canada Summit, 2024, [Laying bare the evolution of payments in Canada - Bank of Canada](#)

From the earliest days of EQ Bank's advocacy efforts, we used this Venn diagram to illustrate it. It pains me to see how little has been accomplished.



I digress. Back to the proposed legislation.

If the order of the government's policy objectives tells us something about legislators' priorities, so too does its choice of how open banking will be administered. The legislation will expand the mandate of the Financial Consumer Agency of Canada or FCAC to include oversight...and foundational framework elements related to scope, system participation, safeguards in respect of integrity and national security and common rules covering privacy, liability and security."

The government intends to create a consumer-driven banking regulator headed by a Senior Deputy Commissioner who will be given the same authority for open banking that the FCAC currently has for consumer protection. How FCAC will integrate and operate these two supervisory roles remains to be seen but the government has provided \$1 million to help the agency prepare for this new responsibility, a sum that is also to go toward developing a consumer awareness campaign. Does that level of spending sound like a serious commitment to you?

While one could argue that vesting these responsibilities in an agency that looks out for consumer rights makes sense, it remains to be seen whether FCAC has the appropriate cultural temperament to drive a pro-competition, open banking agenda. Certainly, ensuring that the benefits of open banking are delivered requires a significant expansion in the technical repertoire of the Agency. It must be able to think through the customer experience and nudge us all in the right direction by ensuring that API calls operate at an appropriate speed and the system availability meets reasonable standards.

It's going to take a very special person to perform the role of Senior Deputy Commissioner in a way that achieves the best outcomes for Canadians and Canada's economy. Someone with passion, perspective, power, and political cover.

As this describes somewhat of a unicorn, I'm excited to see who the government will appoint. If they choose well and this person takes on the role with vigour, we will owe them a huge debt of gratitude. If they choose poorly, the appointee may be able to fall back on the excuse that the enabling legislation was flawed.

Personally, I would prefer Canada start with a system based more on the incentives of carrots, the natural FOMO that all institutions will feel rather than stick wielding.

It would also appear that the FCAC itself is in a state of flux as the government has yet to appoint a permanent overall Commissioner, so get your resumes ready! Hopefully that Commissioner will be prepared to go to bat for more and better competition.

In keeping with a pro-safety agenda, the new Act proposes penalties for unauthorized activities and misrepresentation, including fines up to \$1 million for individuals and \$5 million for entities. This is pocket change for a large institution but is prohibitive to a small fintech.

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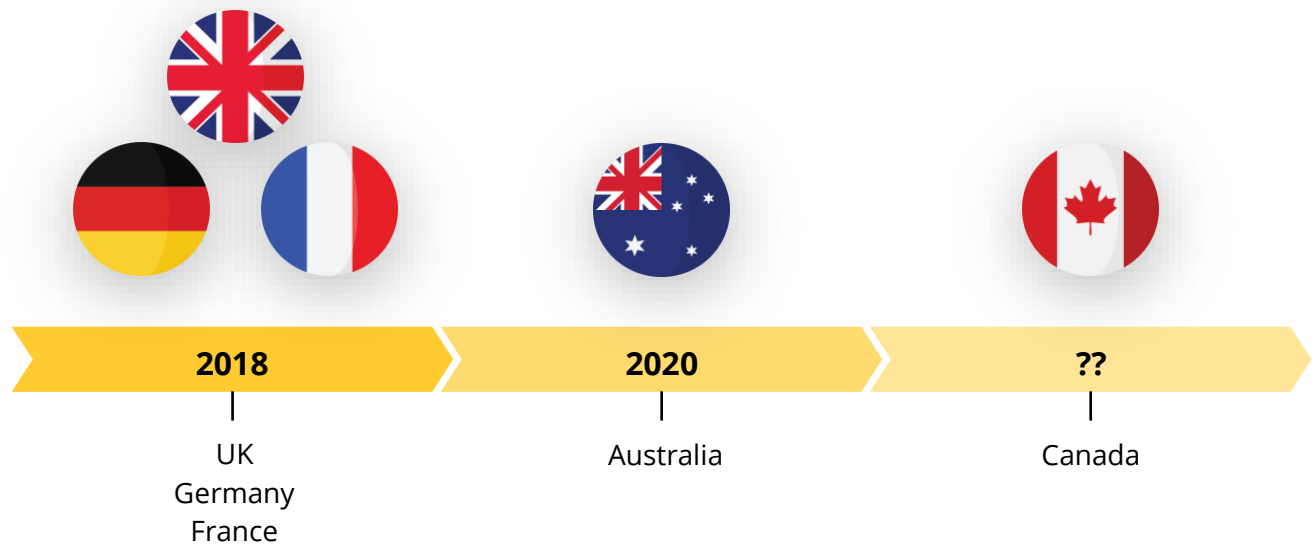
What is good about the Framework is that it covers a broad spectrum of financial products where the vast majority of data exchange takes place.

What troubles me is that the government has chosen to exclude what it calls "derived data" from exchange. Without examples, the Framework defines "derived" as data that has been materially enhanced by a participant to offer significant additional value or insight.

It's not much of a stretch to think that some institutions will argue that a large percentage of their data is enhanced, thus trivializing and neutering the idea of open banking and allowing them to retain an unearned competitive edge. I ask, is this just an exercise in data limitation or a Framework for true digital rights?

I'm also concerned that by introducing the idea of derived data, it sets up the very real possibility that arguments will ensue between various players in the system and FCAC as the arbiter that will slow implementation.

Despite my inherent frustration and suspicion, I will remain optimistic about open banking in Canada with the hope that the government's Implementation Act will provide clarity on these unanswered questions. The biggest of which is when?



When will the Minister of Finance name the members of the technical standards committee?

When will it indicate the qualifications one must possess to sit on that committee? Hopefully this will be an opportunity to include experts whose interests in competition and innovation are clear and pure.

When will those technical standards be set?

And **when** will the banks be required to apply those standards? All we know is that there will be an initial phase when banks that meet certain retail volumes will be mandated to participate.

Also unknown is the nature and cost of the accreditation process that fintechs will have to follow to enter. Demonstration of adherence to technical and security requirements is a given, but it's possible that other conditions will be introduced that are prohibitively expensive for a smaller fintech and ultimately keep the new system from being as vibrant as it could be.

This brings us to a prognosis for open banking in Canada over time.

Certainly, as ridiculous as it seems, the speed of evolution of the open banking project in Canada is something more likely to benefit our children than those of us actively participating in the industry today.

Even following implementation, my guess is most Canadians will not notice any meaningful change in year one. Which means, for example, screen scraping will still be common practice and widespread financial services innovation will not.

Banks do not, as a rule, move quickly and foot dragging can be expected.

For reference, more than half the constituent members of the CMA9 – the UK’s equivalent of the big 6 – were issued warnings after failing to implement Open Banking mobile app functionality by a 2019 deadline.⁷

The government’s pledge to review the Consumer-Driven Banking Framework three years after implementation to ensure it “reflects the needs of Canadians” would seem to suggest that the government itself foresees a lengthy staging period.

How we will determine whether or not the new system is meeting the needs of Canadians is unclear, but to me, open banking can only be viewed as a success if it serves as a true catalyst for innovation and competition that serves all Canadians.

The waiting game comes at a steep price for Canada and Canadians in the form of lost productivity within a system that makes life and commerce harder and more expensive than it needs to be.

That’s a short-term prognosis, and by the way, it assumes that the upcoming federal election will not derail the effort or dilute the focus.

Longer term, say at Open Banking Expo 2035, I’m hopeful that we will look back and say how the hell did we ever do without consumer-driven banking?

I know a decade is a long time to wait, particularly since we’ve already sat impatiently through 7 years to get to this launching point, but changing an industry like banking doesn’t happen over night.

Who remembers when bank branches used to shut down at lunch and were never open on Saturdays? How our online banking times have changed.

Don’t get me wrong: the waiting game comes at a steep price for Canada and Canadians in the form of lost productivity within a system that makes life and commerce harder and more expensive than it needs to be. Which brings my final thoughts: what’s at stake.

⁷ CMA9 Banks Respond to Open Banking Mobile App Delays, 2019, Finextra, [CMA9 banks respond to Open Banking mobile app delays \(finextra.com\)](https://www.finextra.com/newsarticle/34247/cma9-banks-respond-to-open-banking-mobile-app-delays)

It is widely acknowledged that we have longstanding structural problems that if left unresolved will make Canada the worst performing advanced economy in the world with the lowest growth in real GDP per capita through 2060.⁸

Economists tell us we are far less productive because companies here use less capital and technology, are less innovative, and operate at a smaller scale.

Too much protection is also a contributing factor as firms that face limited competition do not feel as much pressure to invest and invent.

Alone, open banking will not solve Canada's productivity gap but it is part of the solution.

For one, it will increase technology use and investments by banks and other challengers in the financial ecosystem. Spending on new fintech innovations to benefit customers and technology to accelerate core business functions like underwriting is far more likely to increase if open banking competition forces everyone to supercharge their efforts.

We can also get a big bang for the buck by raising the industry's competitive intensity in ways that will lead to lower fees and better savings rates that allow Canadians – especially small business owners – to build their capital faster, capital that can, in turn, be reinvested in the economy.

With greater access to credit data, banks and challengers can also materially and safely increase their lending activity in support of bright-spark ideas from Canada's entrepreneurial class, the members of which often find themselves and their ideas ignored.

To sum up, I am concerned that if adopted as is, the draft CDBA will give Canada a system that purports to be open banking but is in reality a watered-down version that does not come close to achieving what we need to stimulate economic growth, productivity or the government's own somewhat wholly Framework ambition of "International Competitiveness."

Perhaps it's unfair of me to say, but over time, Canada has demonstrated repeatedly that we are not nearly committed enough to introducing pro-consumer, pro-competition reforms.

So, to everyone in this room, I would implore you to keep the pressure on our elected representatives and use your networks to convince policymakers to go further and faster.

Together, let's lean in, recognizing that one of the best things we can do for our country as bankers and fintech challengers is to pursue true open banking that works for all Canadians.

Thank you.

⁸ OECD Predicts Canada will be the Worst Performing Advanced Economy over the Next Decade...and the Three Decades After That, Economic Perspectives by David Williams, Business Council of British Columbia, [OECD predicts Canada will be the worst performing advanced economy over the next decade...and the three decades after that — Business Council of British Columbia \(bcbc.com\)](https://www.bcbc.com/en/2018/05/01/oecd-predicts-canada-will-be-the-worst-performing-advanced-economy-over-the-next-decade...and-the-three-decades-after-that)