



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

11 February 2019

Dear Members of the Advisory Committee,

We applaud Finance Canada for exploring opportunities to improve the ability of consumers and businesses to access and make meaningful use of their financial data. Canada is well positioned to learn from early implementations of data access, control, and portability frameworks elsewhere in the world and to improve upon those efforts to develop a model for others to follow.

Introducing Plaid. Plaid is a technology company that serves as a major connector between banks and the financial applications and services hundreds of millions of consumers have come to rely on in the modern financial era. We provide our customers with data infrastructure that enables the consultation paper's objectives. Our products make it possible for individuals and businesses to link together their financial accounts in order to access the digital products and services offered by fintechs, banks, and other market participants. Our customers include a variety of financial services companies – including both fintechs and banks – that offer many of the most popular and frequently used consumer finance products in North America. These include popular Canadian fintech offerings such as Mylo, Wave, and WealthSimple. We also support a large share of U.S. fintech companies exploring investment in Canada.

Plaid began offering its services in Canada nearly a year ago. Today, Plaid supports over 70 Canadian institutions on its platform, empowering Canadians to access and share that data in a variety of use cases that better their financial lives. Approximately 100 fintechs use Plaid to power their own services for Canadians. All told, Canadians have used Plaid to access and share their data from more than 340,000 accounts in order to get the products and services they want. Canada is a critical and growing market for us and many of our fintech customers. Our recent acquisition of Quovo further expands our capabilities in the market with added investment and brokerage infrastructure that enables us to provide consumers with an even more holistic view of their finances.

Third party platforms like Plaid seamlessly connect any single institution with countless others, a critical function of data portability. We are dedicated to the business of supporting data portability for our customers on behalf of their users. Because of this and our ability to support multiple data portability methods, we deliver agility, interoperability, and resilience to data portability.

Plaid’s perspective. We are grateful for the opportunity to respond to the consultation paper and consent to the full disclosure of this submission to the public in its entirety. In the pages that follow we provide our perspective regarding the questions identified in the paper. However, in summary, and in response to the specific question about the role and steps “for the federal government to take in the implementation of open banking,” we believe four broad phases of government action could be helpful:

1. Guaranteeing consumers and businesses a right to information associated with their financial activities and to access that information directly or on a delegated basis through a third party.
2. Establishing desired outcomes and milestones for data access, control, and portability and providing the private sector flexibility to achieve those milestones in the most efficient manner while delivering maximum utility to consumers and businesses.
3. Holding ecosystem stakeholders accountable for executing against desired outcomes, taking action when necessary to clear blockages and ensure progress.
4. Establishing a consumer trust framework, including a dispute resolution mechanism for maintaining public trust.

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Guiding principles. With operations in Canada, the United States, and the United Kingdom, Plaid has experience in jurisdictions with varied regulatory approaches toward this issue. Through our experiences in these markets as well as other global lessons, we believe several principles are key to improved outcomes for consumers and businesses to achieving the efficiency, utility, and stability objectives outlined in the consultation paper.

1. **Rights-based:** Individuals and businesses should have a clear right to information personal financial data and be able to access that information directly or on a delegated basis through a third party. In markets where no explicit right of access to data exists, consumers can be negatively impacted when they are able to access data at some institutions but not others, or certain data elements but others.
2. **Comprehensive:** Consumer utility is maximized when they are able to access data associated with their financial activities in order to support the broadest possible set of use cases. As a rule of thumb, consumers should be able to access via third party

channels any information they would be able to access directly through their financial institution's website or printed statements. Restricting what data can be accessed, or for what purpose it can be used, reduces utility. While the consultation paper identifies transaction data from bank accounts as the focus of this consultation, other data types may also be relevant to consumers and business users, such as retirement and other nonbank financial data. In Canada, Plaid currently facilitates access to approximately 70 different types of data fields associated with bank and nonbank financial accounts. Over time, we expect consumers to demand access to even broader sets of data that intersect with financial services, such as payroll or utility data.

3. **Consent and permissions-based:** Establishing consumer rights is an important but likely insufficient step to giving consumers and business users greater control. They also need tools to actively manage their data and should be able to determine what data elements they chose to share, with whom they share them, for what period of time, for what purpose(s), and to revoke consent. Plaid is working to develop and enhance these functionalities, and believe they will be an increasingly important step forward from standard consent collection, which is generally binary and done only once, to a system in which consumers are able to easily manage their preferences throughout the lifetime of their relationship with their data.
4. **Government encouraged and industry driven:** The government has a critical role to play in establishing personal data rights and ensuring ecosystem incentives are aligned such that individuals are able to easily avail themselves of those rights. Additionally, there may be times when the government must hold industry and other stakeholders accountable and take action when necessary to clear blockages. Government also has a unique role to play in establishing a trust framework for consumers, putting in place mechanisms such as dispute resolution to ensure individuals can seek recourse when they believe their rights have been violated. Within this context, the role of the private sector should be to compete to develop the best solutions for consumers to make it possible for them to access, control, and transfer their data.
5. **Technology agnostic:** A technology agnostic approach to delivering data access, control and portability is preferable to relying on a single technology or standard for several reasons. First, it can enable a broader set of stakeholders to participate, including small non-bank financial institutions, fintech startups, and others that do not have the ability to develop or integrate certain technological approaches on their own. Second, codifying a specific standard or technology can slow down innovation when the private sector must wait on the government to define standards. And third, system performance is improved when multiple data transfer mechanisms are available to provide resilience against outages and other related issues that can impact reliability. Technology agnosticism is key to maximizing the efficiency of the system because it ensures institutions are able to use the methods that are most effective for them. Importantly, this is not a barrier to interoperability, which can still be achieved even when

different approaches are used. Plaid is one such example of an interoperability platform that enables data to flow among institutions even if they do not all use the same portability mechanisms.

Importance of transaction initiation. In the consultation paper you inquire “whether payments initiation should ultimately form part of an open banking framework.” We believe this is essential to providing consumers and business users greater control and enabling the type of functionality that can lead to real improvements in financial health. This means they should be able to both access their data (e.g., view an aggregated dashboard or “balance sheet” of their accounts) and act upon it by initiating transactions (e.g., transfer funds from a savings account to a checking account at a different institution). For example, whereas today an app may simply show a user that they have recurring transactions which may include a subscription they no longer use, tomorrow we believe that transaction initiation can allow a consumer to take the next step to cancel a payment within that app. Access and acting are complementary and essential to encouraging innovation and solving for consumer pain points. Ultimately, they solve the information and power asymmetries that often exist between consumers and business users and holders of their data and serve the public interest by promoting competition and product choice.

Consumers desire more control over their data. A nationally representative survey conducted by Plaid in the United States in the last six months found that consumers think they should have greater control over their financial data than currently afforded. The survey also found that that greater control over their financial data is positively correlated with increased consumer confidence. While conducted in the United States, we believe the consumer attitudes surfaced in this survey are likely to be directionally relevant to other markets and are helpful in understanding how efforts contemplated by Finance Canada could deliver greater control to consumers. Looking at specific types of controls the survey found that:

- 73 percent of respondents believe they should have the right to withdraw consent of a company to access their data with the push of a button, but only 38 percent believe they currently *do* have that right.
- 71 percent of respondents believe they should have the right to share the rates and fees they are paying on a credit card or other financial product with competitors to see if they can get a better rate, but only 42 percent believe they currently *do* have that right.
- 70 percent of respondents believe they should have the right to access their data, or give permission for someone else to access their data, without paying a fee, but only 33 percent believe they currently *do* have that right.
- 64 percent of respondents believe they should have the right to give access to their data to anyone they want, without restriction, but only 39 percent believe they currently *do* have that right.

The availability of these types of controls can vary significantly depending on the institutions with whom an individual has a relationship.

Benefits to Canadian individuals, businesses, and society. Plaid enables a wide range of impactful financial products and services that are made possible when consumers and business users can link their accounts and initiate transactions across them. The consultation paper asks how Canadians can experience meaningful benefits and improved outcomes through greater control of their data. While the number of ways in which they can benefit are too numerous to mention here, we highlight a few particularly relevant examples:

Individuals and Households

- Couples and families can benefit from an aggregated snapshot of their entire household finances. Plaid-enabled products such as Onist and Honeydue provide this type of functionality.
- Future retirees can benefit from improved and simplified investing with Plaid-enabled products like WealthSimple and Mylo. These services make it easy for individuals to automatically save and meet their retirement goals.
- Gig economy workers can benefit from income smoothing tools such as Earnin that provide those with volatile incomes more predictable income.
- New Canadians and longtimers alike can benefit from faster and simpler account opening and switching. Plaid products make it possible to quickly confirm identity and open accounts without the need of cumbersome paper applications and document requests.

Businesses

- Small or new businesses can benefit from improved access to capital using products such as Plaid-enabled Fundera, which makes it easier for small businesses to obtain a loan.
- Business owners can also benefit from solutions such as Wave, also Plaid-enabled, which provide them with all-in-one solutions that make it easier to start and run a business with integrated solutions for accounting, invoicing, billing, payroll, and receipts.

Market

- Market competition can be improved by enabling individuals to leverage their data to access a new ecosystem of fintech apps and easily switch to products that are best for them. Enabling consumers and business users to take their data wherever they choose can level the playing field in a way that can create new opportunities for all types of institutions, banks included, and enhance competition among them.
- New business creation and job growth can result when consumers and business users can more easily make their data available to support new products and services. An ecosystem that fosters greater consumer access, control, and portability over their data

can help to grow Canada's fintech sector as well as adjacent sectors that benefit from fintech.

Managing risks. The consultation paper requests views on managing risks related to consumer protection, privacy, cyber security and financial stability. Financial services and technology both entail risk. However, just as the technologization of financial services creates new risks, it also produces new ways of managing those risks. Giving consumers and business users greater access and control over their data should be seen as an opportunity to do just this. Our recent survey found that most people do not see privacy and convenience as a zero sum game. In fact, 84 percent of respondents told us they believe that with technological innovation they can have both privacy *and* convenience. We summarize our thoughts below on ways to manage the risks identified in the consultation paper:

- **Consumer protection and privacy** can be addressed by considering many of the principles we highlight above. For example, a right to data can be seen as a consumer protection measure that enables consumers to better monitor their financial activities and more easily choose products and services that benefit them. Likewise, new consent and permissioning functionality can help make consumers and business users more aware of how their data is treated and provide them the ability to more actively manage what they share. Plaid is currently investing in the creation of a consent and permissions dashboard and we believe this type of technological approach that is increasingly needed to foster consumer protection and privacy in a digital era.
- **Cyber security** is essential to establishing and maintaining trust. Fortunately, Canada's privacy regime under existing applicable laws and regulations already is robust. The principles-based requirements of these laws and regulations already apply to Canadian companies that interact with consumer data—including consumer financial data. Plaid takes this approach in its Canadian operations and implements a variety of other measures to limit cybersecurity and other privacy risks, including multi-factor authentication, tokenized credentials, and internal and external network penetration tests. We believe that this flexible, dynamic approach to security is ultimately stronger than the mandatory application of specific security protocols like OAuth.
- **Financial stability** can be considered at both micro and macro levels. At the micro, or household, level data access and portability is likely to improve stability through new tools that enable households to better understand and improve their financial lives and promote greater financial resilience in the case of shocks. At the macro, or market-wide, level we have not encountered situations that would lead us to believe there are liquidity risks to the stability of the financial system. Banking is still a fundamentally sticky relationship, as we have seen in the UK where account switching remains low despite the presence of account portability functionality. Additionally, funds that leave one institution are unlikely to leave the system altogether, even if they are redistributed to competitors that deliver greater utility and efficiency for consumers or businesses.

We congratulate Finance Canada for prioritizing this issue for undertaking this consultation process. We look forward to participating in future phases of this consultation as well and welcome the opportunity to respond to any questions and provide additional information, including data derived from our experiences in Canada, that may be helpful.

A handwritten signature in cursive script that reads "John Pitts". The signature is written in a dark ink and is positioned above a solid horizontal line.

John Pitts
Plaid Policy Lead