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Open banking in Canada

Improving awareness, transparency, and trust

Survey methodology

These are the results of an online survey conducted in October 2022 that included 1,030 Canadian respondents. Quotas and weighting were used to ensure that the sample composition was reflective of the Canadian population according to the 2021 Census. The credibility among the total sample is +/- 3.1 percentage points, 19 times out of 20, had all Canadians been surveyed. The credibility interval is wider among subsets of the population. All sample surveys and polls may be subject to other sources of error, including, but not limited to, coverage error and measurement error. Additionally, not all percentages throughout the report may add up to 100% and may be off by +/- 1% due to rounding errors.

Introduction

Canadians' data is being shared with third parties every day. When it comes to financial data-sharing, however, current practices to aggregate it come with inherent risks that could compromise the security of their personal information.

The Government of Canada is working on an open banking framework that would enable Canadians to direct their financial institutions to share their data with other accredited organizations, securely and with their explicit consent.

The promises of open banking are evident, from helping Canadians better manage their finances to delivering more streamlined experiences. Compared with data-sharing approaches commonly used today, the proposed framework would provide better consumer protection safeguards through secure authentication, data transmission through application programming interfaces (APIs), explicit consent capture and management, and common accreditation of data recipient entities.

With the Department of Finance's framework design process under way, the financial services industry and

its regulators should aim higher than mere implementation—they must work together to facilitate and promote the widespread adoption of open banking-enabled experiences. To achieve that, Canadians must recognize the value in the use cases and feel confident that their data will be protected and not misused. Without winning their trust and adoption, open banking could become a costly burden to the industry and to consumers by extension.

To get a better understanding of how financial institutions, financial technology companies (fintechs), and regulators can facilitate a more consumer-friendly approach throughout the implementation of the framework, Deloitte conducted a survey of a representative sample of Canadian adults. We sought to gauge their knowledge of open banking and their sentiments about sharing their personal information online.



The most important takeaway from our survey was the need to foster and sustain more trust in open banking among Canadians. Our analysis of the results yielded four distinct insights that can help make that happen:

1. Increasing Canadians' awareness of all aspects of open banking should be a top priority.
2. Features should be geared to consumers' wants and needs.
3. Focus on equity and inclusion is needed.
4. More transparency on security measures can boost consumer confidence in and adoption of open banking.

The more the framework takes a targeted, consumer-centric approach to building trust and addressing consumer priorities, the more likely a successful implementation and broad adoption will be.

1 INSIGHT

Increasing Canadians' awareness of all aspects of open banking should be a top priority



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Increasing Canadians' awareness of all aspects of open banking should be a top priority

People who already share their data online and understand the capabilities of open banking are likely to be the fastest adopters of the platform. For those who are more hesitant to share their personal information online in general, regulators, banks, and other financial services institutions will have to work hard to earn their trust in the security of the process. People need clarity on how their data is used and what they are agreeing to when they provide consent. Raising awareness of the opportunities that open banking presents will also unlock value and increase the likelihood of successful uptake once operationalized.

Prior to the roll-out of open banking in Australia in 2020, just 25% of Australians had heard the term "open banking" before, and 27% of this subset (i.e., 7% of all those surveyed) were confident in

their understanding of open banking.¹ To mitigate this gap, measures were taken in Australia to educate consumers on the value of open banking and the risks and safeguards associated with participating.

Our survey uncovered that Canadians also possess a low level of awareness of current data-sharing practices. Only about one in 10 respondents had heard of screen scraping (11%) before the survey. The results were similar for the concept of open banking (only 18% were familiar with it). However, a lack of knowledge is not a determining factor in Canadians' willingness to embrace open banking. In fact, the number of respondents who have shared or sent data from their primary financial institution to another institution or fintech (13%) already outpaced the awareness of screen scraping.

Screen scraping

Commonly used by third parties to access financial data, screen scraping is where a user provides their online banking credentials (username and password) to a third party that then automatically logs in to the user's banking platform as if it was the user. The third party then transfers the user's financial data to an external database that supports their products and services.

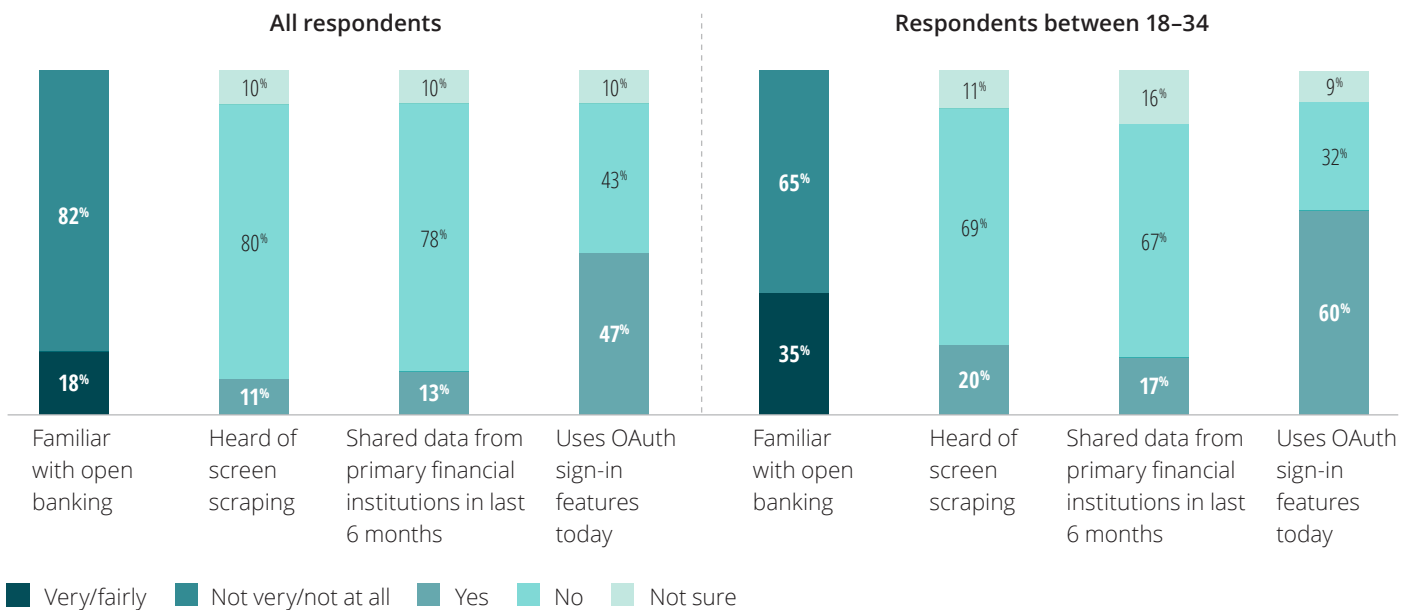
By sharing a banking username and password with a third party, the user risks losing any protection the bank offers against unauthorized transactions.

Open banking

Open banking is a secure way for customers to share their financial data with fintech apps.

When accessing a fintech's products and services through open banking, the user's bank can safely share their financial data with the app on their behalf.

Figure 1
Canadians' understanding of open banking



While their relationship to open banking may not be widely understood, nearly half of Canadians already use automatic sign-in features when accessing their Facebook, Gmail, and other accounts (47%). Despite data-sharing being a common practice, only 35% of Canadians feel comfortable sharing their data online. Interestingly, once presented with the idea that their consent is a foundational aspect of open banking, 45% indicated that they would feel comfortable using it to share their financial data online once the framework is implemented.

While their low level of awareness has not deterred Canadians' interest in using open banking, a key driver of adoption will be increasing their understanding. Survey respondents who indicated familiarity are significantly more comfortable with the idea of sharing their financial data through open banking (70%) than those who indicated being unfamiliar with it (38%). The proposed framework should therefore be geared toward generating both familiarity and trust.

To assess our respondents' level of knowledge of who can own and share data, we asked who they thought owned their financial account information. At 48%, the largest proportion believe it belongs to them, while only 27% think it belongs to their financial institution. The remaining 25% were not sure.

Figure 2
Canadians' level of comfort in data-sharing

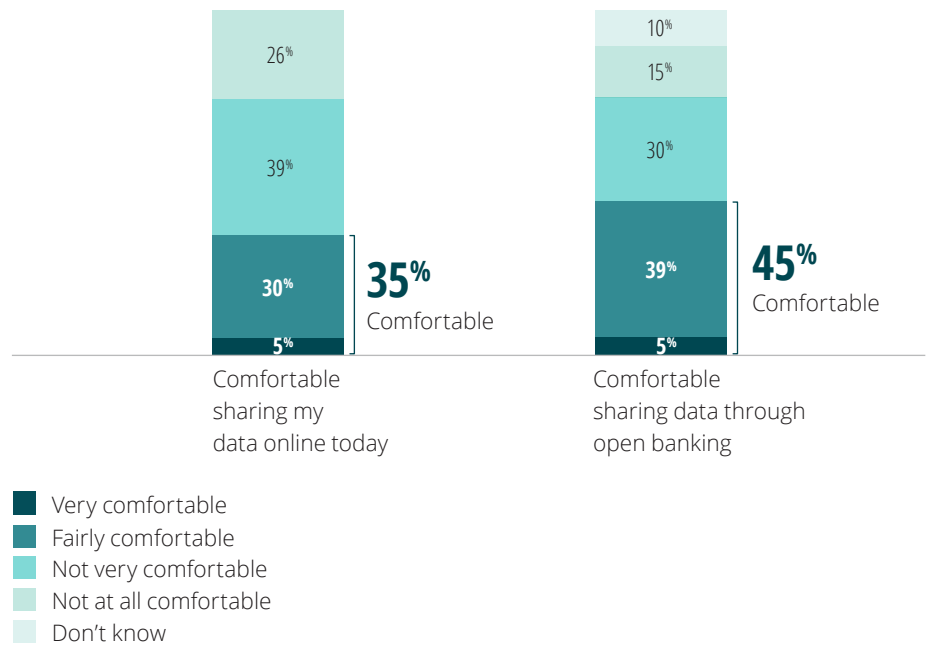
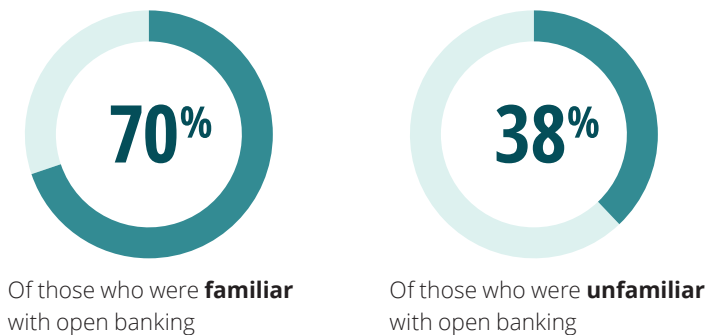


Figure 3
Comfort with sharing data through open banking based on the prior level of familiarity



2 INSIGHT

Features should be geared to consumers' wants and needs



INSIGHT

Features should be geared to consumers' wants and needs

While many Canadians indicated they would feel comfortable sharing data through open banking, even more said its applications would benefit them. Therefore, the next step is increasing Canadians' trust.

When given information about several use cases, the majority of respondents indicated that they would find value in at least one of them (66%), with the most common theme being having more control over one's financial outcomes.

When asked to select the benefits they found the most attractive, the most popular were: getting a complete financial picture of all balances across all their accounts (37%), the ability to track their spending patterns (33%), and suggestions for investment and savings opportunities (32%). Fewer could see the benefit of automated advice on money management and savings (24%) or leveraging data to get faster and better credit (21%).

Comfort vs. benefits

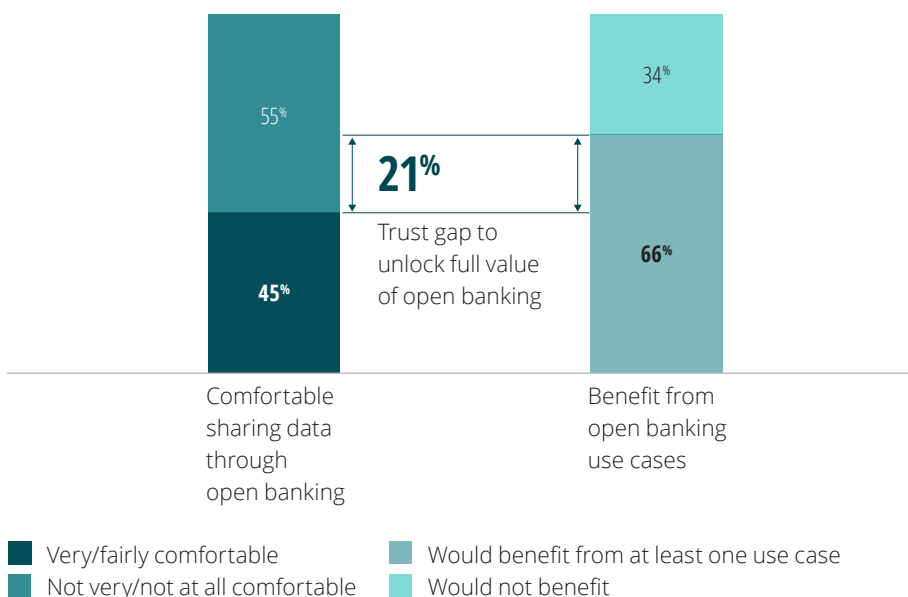
Comfort with sharing their data was included to gauge respondents' likelihood of using open banking, while interest in the benefits was used to measure their understanding of how it could better their financial outcomes.

Use case examples

- Seeing a complete financial picture of balances across all accounts.
- Tracking spending patterns.
- Getting suggestions on investments and savings opportunities.
- Receiving automated advice on money management and saving.
- Leveraging data to get faster and better credit.

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Figure 4
Closing the gap between comfort and benefit



Overall, it seems that Canadians can recognize the benefits of open banking and are likely to embrace it once it goes live—if financial institutions and other players continue to develop features and applications that are anchored in specific customer needs and pain points.

Figure 5

Canadians' ranking of the most attractive benefits and services of open banking

66% of Canadians find at least one of these benefits attractive

37%

Seeing a complete financial picture of all your balances across accounts

33%

Ability to track your spending patterns

32%

Suggestions on investment and savings opportunities

24%

Receiving automated advice on money management and savings

21%

Leveraging data to get faster and better credit

Of this 66%, they are most interested in the following services

52%

Access lower rates on loans and higher rates on savings

41%

Best product options presented based on spending behaviour

39%

Real-time access to all financial accounts and information

37%

Earning rewards from a trusted party based on payment history

35%

Personalized tools and products to improve financial health

20%

Demonstrate credit worthiness more easily



3

INSIGHT

Focus on equity and inclusion is needed

INSIGHT

Focus on equity and inclusion is needed

Open banking will particularly appeal to customer segments that are deemed high value by the industry, including customers with high incomes or those who will be looking to find another financial institution to engage with in the near term. However, there are clear equity and inclusion gaps across older demographics, for women, and in some provinces.

Certain groups have expressed greater levels of comfort with financial data-sharing

and interest in the benefits of open banking than others. It seems that those groups are more likely to adopt open banking.

Given that these population segments belong to what many financial institutions consider high-value customer segments, their adoption of open banking will likely lead to more competition and innovation in the industry.

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Figure 6
Segments of the Canadian population deemed high value by industry



However, 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 (39% 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.

There are regional differences, too. Quebec has the least amount of people who are comfortable sharing their financial data through open banking (38%), compared with Ontario (49%), the Atlantic provinces (46%), and British Columbia (45%). While many Quebecers are uneasy

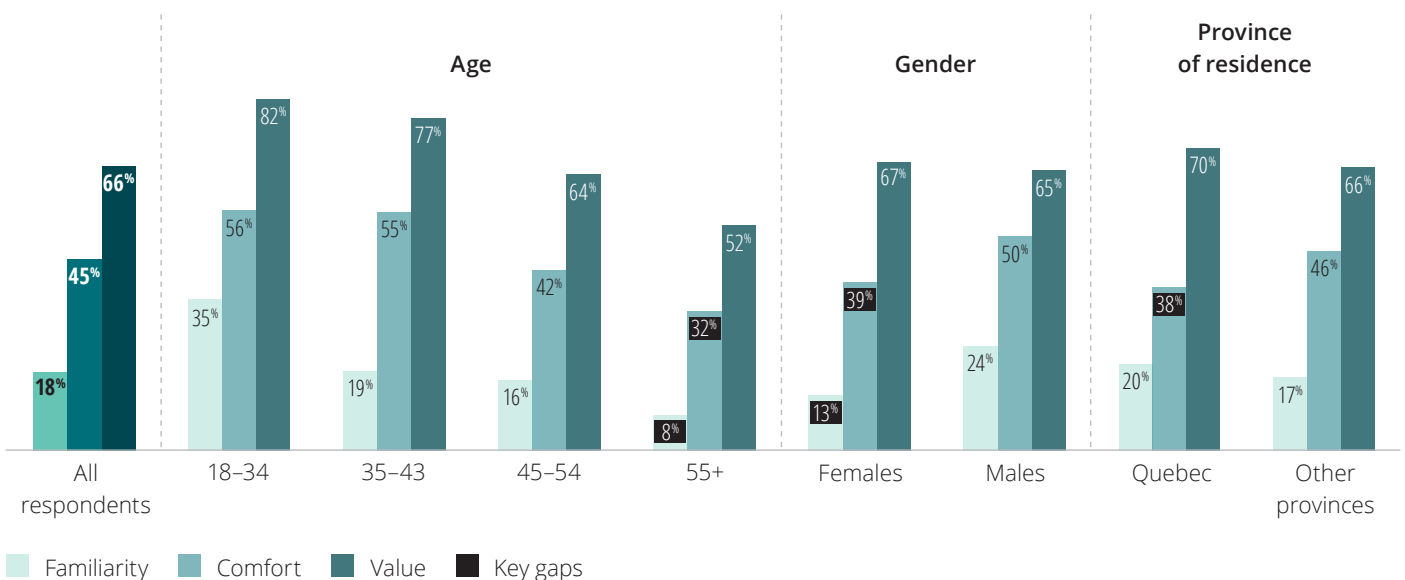
about the sharing aspect, they have the second-highest level of familiarity with open banking (20%), behind the Atlantic provinces. Their high level of familiarity can be attributed to the passing of Bill 64 and its amendments—the province’s private sector privacy legislation—that has advanced their knowledge on data portability.

While it may be unrealistic to aim to change the behaviours of every Canadian, these gaps represent tangible opportunities to ensure more Canadians can benefit from open banking. Deloitte’s recent [Digital equity report](#)² exposed similar gaps in digital literacy across Canada and explored how it can be improved. For example, older Canadians find it particularly difficult

to learn how to use new technologies or devices (43%). They also have difficulty troubleshooting technical problems (30%) and most don’t know where to look for digital skills training (77%). The need for better guidance and more inclusive solutions is just as clear for open banking.

Those designing Canada’s framework are not the only ones responsible for figuring out how to achieve equity and inclusion in open banking. It requires a joint effort across industry players, regulators, social agencies, and governments to install practical and effective measures that will foster a sense of trust among Canadian consumers and address specific adoption barriers.

Figure 7
Canadian population segments who are more likely to adopt open banking



4 INSIGHT

Transparency on security measures can boost confidence and adoption



INSIGHT

Transparency on security measures can boost confidence and adoption

As mentioned earlier, more Canadians see the value in open banking than feel comfortable sharing their financial data. This gap represents a path to fostering a greater level of trust.

Our survey assessed whether various incremental measures could improve trust in open banking. Almost eight in 10 indicated that certain design features would make them feel safer and more protected (79%).

Some of these features are already being considered by the Department of Finance's working groups. More than half of respondents indicated that a liability guarantee would make them feel more secure and protected (54%), and 39% said a maximum liability statement would do so. Both measures were addressed by the liability working group.

There are other design features that could increase consumer trust. More than four in 10 Canadians reported that getting notifications whenever someone attempts to gain access to their account would make them feel better protected (43%). This was not included in the publicly available information on the working groups, leaving room for suggestions on adding common rules for transparency.

Four in 10 also indicated that the ability to wipe data would make them feel more secure. While the privacy working group has discussed how consumers could provide and revoke their consent to share their data, it's not yet clear what will happen following a revocation. Giving consumers the option to completely erase their data from third-party databases upon revoking their consent—where possible within regulatory boundaries—would likely increase their confidence that their privacy will be protected and therefore their trust in open banking.

In the event something goes wrong while using open banking, seven in 10 Canadians indicated that they would approach their primary financial institution for support. About one in four Canadians would approach the Financial Consumer Agency of Canada (28%), the application they are using (24%), or seek additional measures (21%). Given that not all issues associated with open banking will arise from their primary financial institutions, it's important to give customers a streamlined way of being redirected to potential responsible parties.

Ensuring Canadians have the awareness, comfort, skills, and knowledge to embrace open banking is integral to success. While the Department of Finance's working groups have discussed issues of vital importance surrounding structure and processes, there needs to be similar focus given to ongoing consumer education and communication.

No single party can drive trust and awareness by itself—it will require continual and coordinated action across financial institutions, fintechs, consumer groups, and various regulatory bodies, including the Financial Consumer Agency of Canada. We can take lessons from how other trusted financial service systems have been built and operated in Canada, such as the Canada Deposit Insurance Corporation and Interac. Beyond the necessary educational campaigns, establishing a recognizable brand and promoting consistent messaging across the ecosystem will help open banking become a widely trusted system by Canadians.

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Implications

Canadians are ready for open banking. Our survey has demonstrated that open banking has the potential to add immense value for Canadians; however, it will be imperative for both financial institutions and regulators to first build consumer trust in the system and remove barriers that prevent full participation in the framework. For open banking to be successful in Canada, financial institutions and regulators should:

1

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.

2

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.

3

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.

4

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%).

Conclusion

Canadians are ready to take advantage of open banking. In fact, many already feel comfortable with the proposed model and see the value in it.

There are many opportunities to elevate Canadians' level of trust and unleash open banking's full potential—and the sooner they are implemented, the better. Creating a more inclusive path that builds more trust and awareness with equity-deserving segments will ensure open banking's benefits are made available to

as many Canadians as possible. Beyond the framework design and implementation stages, the importance of building and maintaining trust in open banking cannot be overstated. This will require ongoing, coordinated effort across the ecosystem to ensure robust adoption. There is no better time than now to start.



Key contacts

Hwan Kim

Canadian Open Banking Leader

hwankim@deloitte.ca

Karen Love

Partner, Risk Advisory

karelove@deloitte.ca

Key contributors

Jay McMahan

Partner, Risk Advisory

Taylor Harper

Manager, Risk Advisory

Kara Austin

Manager, Consulting

Anthony Korshunov

Manager, Consulting

Luca De Blasis

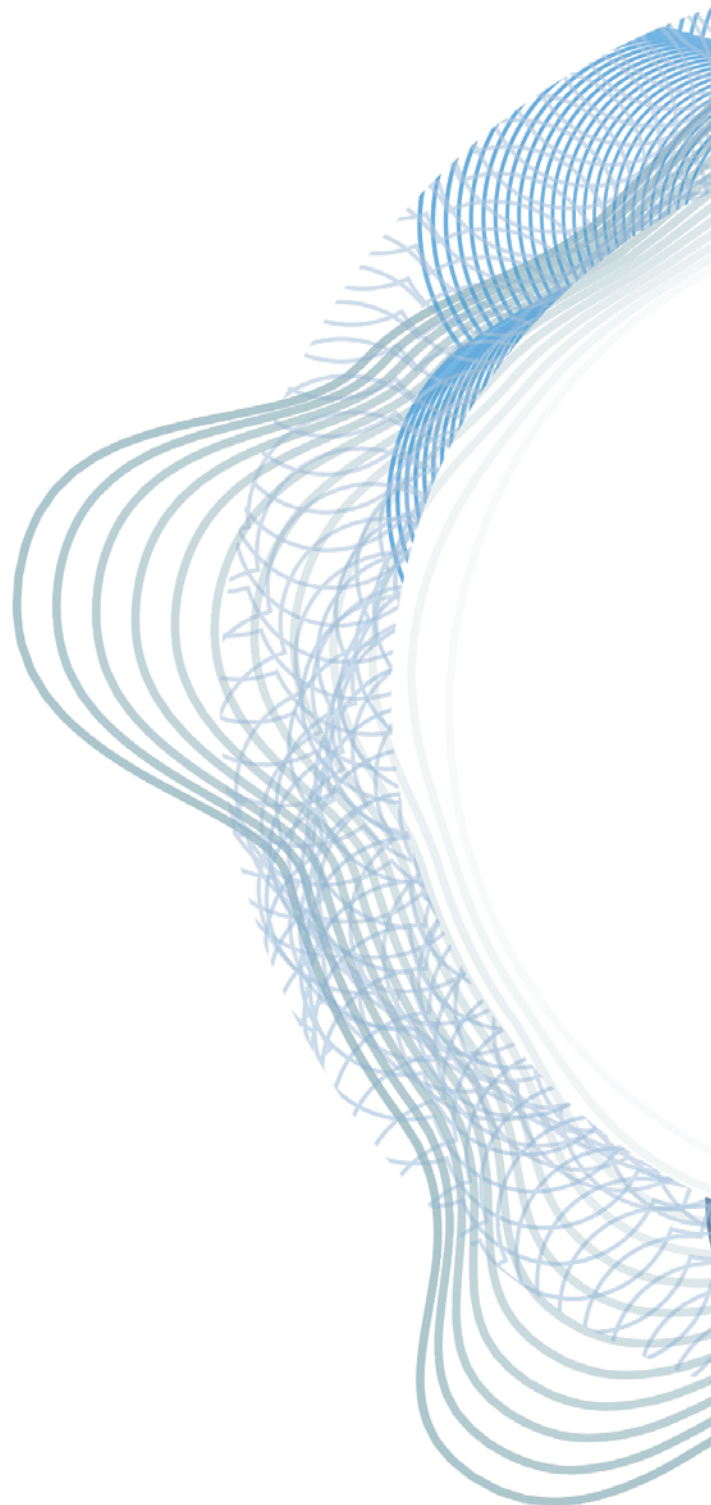
Manager, Consulting

Jamieson Rees

Senior Consultant, Risk Advisory

Liam Rose

Consultant, Risk Advisory



Endnotes

1. [Deloitte Australia's open banking survey](#), October 2019
2. Digital equity: Focusing on every Canadian's digital future, <https://www2.deloitte.com/ca/en/pages/future-of-canada-center/articles/digital-equity.html>

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