

# Digital ID and Open Banking Dialogue Sessions

Standards Council of Canada - Canadian Data  
Governance Standards Collaborative

December 2- 4, 2020



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# Executive Summary

On December 2, 3 and 4, 2020, the Standards Council of Canada (SCC) and Canadian Data Governance Standardization Collaborative (DGSC) hosted a series of dialogue sessions with Canadians on the topics of digital ID and Open Banking. Two of the sessions were held in English, while the third was held in French. The sessions were attended by more than 100 participants from across the country, including representatives from financial institutions and third-party service providers.

Each session began with a brief presentation by SCC officials on the role of the DGSC, the importance of standards, and the current state of digital identity and Open Banking in Canada. Participants were then invited to contribute to a conversation focused around two main areas of discussion, namely:

- the current situation of digital ID and open banking in Canada, including existing challenges, opportunities, rules and standards; and,
- the ideal future state, from the desired benefits for consumers to the laws and regulations needed for effective digital ID and Open Banking frameworks.

## Current state and challenges

During an interactive whiteboard activity at the outset of the discussions, participants shared their perspectives on the challenges facing digital ID and Open Banking in Canada. Ultimately, four recurring and overarching challenges emerged:

1. Trust, and the need to earn and maintain the confidence of consumers
2. Security, and the need to manage risk, protect privacy and prevent fraud
3. Fragmentation, and the need to optimize cooperation, interoperability, and efficiency
4. Effective governance and oversight, and the need for consistent rules, regulations and standards that are aligned across jurisdictions

Following the whiteboard exercise, participants engaged in small breakout group discussions. When reflecting on the current state of digital ID and Open Banking, participants generally felt that Canada is extremely well-positioned to become a front-runner in both areas; however, there was also agreement that we are falling behind other countries in developing the necessary legal and regulatory frameworks. Multiple participants noted that more leadership and support is needed from the federal government as there are currently no laws to enable and govern Open Banking in Canada. Consumer awareness and education was another gap identified by participants, who said Canadians lack the understanding needed to use and trust digital ID and Open Banking systems. However, it was also noted that there is a shared onus on governments and industry to ensure that individuals are aware and confident in Open Banking.

## Ideal future state

When looking ahead to the desired future state of digital ID and Open Banking, participants generally agreed that the individual consumer should have greater control and decision-making power when it comes to who has access to their personal data and how it is used. This, participants felt, would require a fundamental paradigm shift from institutional data ownership and control to a more transparent and

democratic consumer-centric model. Participants envisioned a comprehensive and trustworthy national digital ID system that works seamlessly across national and provincial levels, and they underscored that broad participation and interoperability together with strong privacy protections are critical to success.

# Introduction and Context

Data governance is one of the most important issues facing Canadians today. In our increasingly digital world, there is much at stake in determining who owns, controls and benefits from the vast ocean of data generated by Canadians.

In 2019, the Standards Council of Canada (SCC) established the Canadian Data Governance Standardization Collaborative (DGSC) in support of the Government of Canada's new Digital Charter. A cross-sector coordinating body, the DGSC is working to accelerate the development of industry-wide data governance standardization strategies through coordination and collaboration. At present, it is developing a roadmap describing the current and desired Canadian standardization landscape. Among other things, this roadmap will include recommendations on how codes of practice, certification and standards can be used to adapt principles-based law to particular sectors, activities, or technologies, and to make frameworks more agile and trusted by Canadians.

## Digital ID and Open Banking

A key area of focus for the DGSC relates to digital identity (or digital ID) and Open Banking (or Consumer-Directed Finance).

Today, digital connectivity, data, and consumer needs are driving financial institutions, governments, and Canadians towards third-party arrangements. However, a lack of regulation and standards to support this new sector, and adaptive tools, such as digital ID, are leaving Canadians behind, both economically, competitively, and most importantly, with regards to security.

In recent years, various national initiatives have been established in support of digital identity, open banking, and the need for standardization. For example, in 2018, Canada joined a network of countries looking to use digital technologies to benefit citizens. One element of this strategy is developing a trusted digital ID platform. In 2019, the Department of Finance appointed an Advisory Committee to review the merits of Open Banking, which concluded that “consumers, businesses and government entities [must] work together to achieve the common goal of enabling a safe, secure, and trusted ecosystem for Canadian digital identity.” Government and industry collaboration is essential, with over 70% of Canadians wanting the public and private sectors to work together on a joint digital ID framework.<sup>1</sup> Additionally, 83% of Canadians trust government to keep their data safe and 81% trust financial institutions.

In some countries, digital ID is already the connective tissue between financial data sharing, innovative financial solutions, and security. Unfortunately, Canada is falling behind when it comes to linking our government-issued identification with our online credentials, which is necessary to provide secure, convenient Open Banking frameworks. Meanwhile, millions of Canadians are already sharing banking information with third-party providers; however, due to a lack of a formal Open Banking regime, they are forced to rely on insecure methods such as screen-scraping, putting their personal identity and sensitive financial information at risk.

With these challenges in mind, standardization can be a possible solution for implementing a Canadian digital ID framework that reflects the values that Canadians support, such as inclusion, transparency, and trust.

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<sup>1</sup> DIACC. Canadians are Ready to Embrace Digital Identity. <https://diacc.ca/2019/10/15/canadians-are-ready-to-embrace-digital-identity-2/>.

## SCC Dialogue Sessions

SCC hosted a series of three online dialogue sessions on December 2, 3 and 4, 2020 to gain insight and understanding of Canadians' perspectives about digital ID and Open Banking, and for Canadians to learn about work being done in this area by SCC and DGSC. Conducted in both English and French using Zoom video conferencing technology, the sessions were attended by more than 100 participants from across the country, including representatives from financial institutions and third-party service providers. The insights and findings gleaned from the consultation will be incorporated in the final Data Governance Standardization Roadmap.

Facilitated by Hill+Knowlton Strategies, each session began with a brief presentation by SCC officials on the role of the DGSC, the importance of standards, and the current state of digital identity and Open Banking in Canada. Participants were then invited to contribute to a conversation focused around two main areas of discussion, namely:

- the current situation of digital ID and Open Banking in Canada, including existing challenges, opportunities, rules and standards; and,
- the ideal future state, from the desired benefits for consumers to the laws and regulations needed for effective digital ID and Open Banking frameworks.

# Challenges

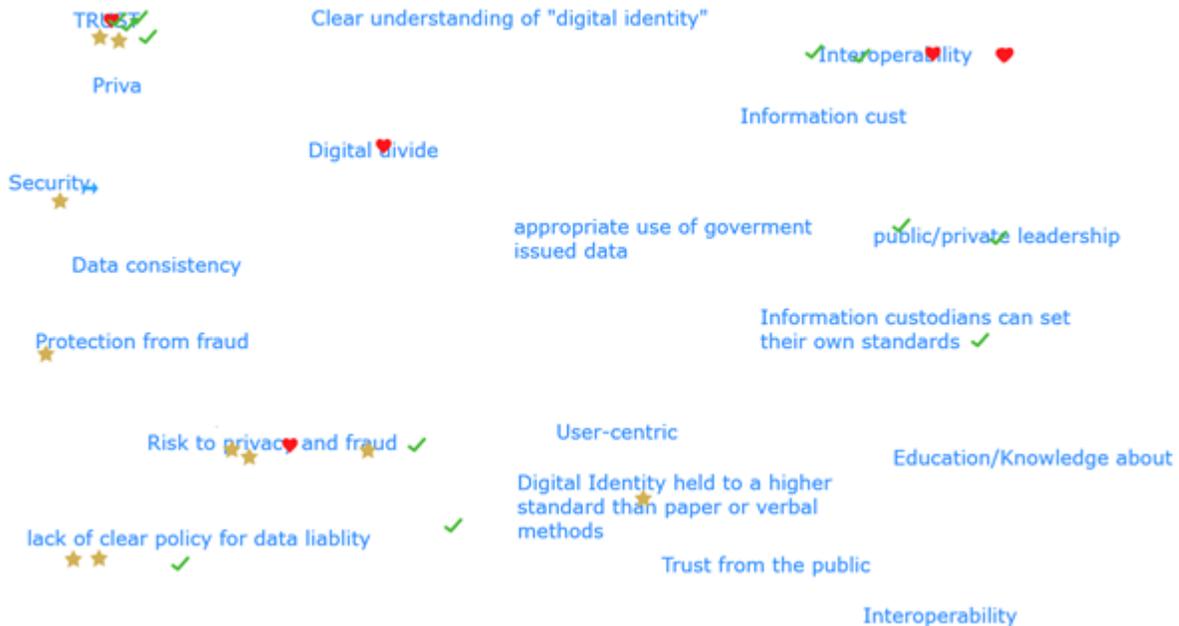
To initiate the conversation among session participants, a **whiteboard activity** was conducted on the key challenges facing Open Banking and digital ID in Canada. Participants were provided the opportunity to share their own ideas and react to/vote for those shared by others.

Ultimately, four overarching and recurring themes emerged from the discussions:

1. Trust, and the need to earn and maintain the confidence of consumers
2. Security, and the need to manage risk, protect privacy and prevent fraud
3. Fragmentation, and the need to optimize cooperation, interoperability, and efficiency
4. Effective governance and oversight, and the need for consistent rules, regulations and standards that are aligned across jurisdictions

Following is an example of a completed whiteboard from one of the sessions:

**What is the number one challenge facing digital identity and open banking in Canada?**



# Current State of Digital ID and Open Banking

In the first half of **breakout group discussions**, participants were asked to provide their views on the current state of digital ID and Open Banking in Canada.

Recurring themes and key insights from the discussions are summarized below.

## Q1.1: What is the current situation for digital ID and Open Banking (i.e., what information is required, how secure is the information, who has access)?

### **Theme #1: Canada is well-positioned to implement digital ID and Open Banking frameworks but continues to lag behind other countries.**

Some participants expressed that Canada is extremely well-positioned to adapt and take advantage of emerging technologies and digital solutions and to become a leader in the areas of digital ID and Open Banking. It was noted that Canada has unique insights and knowledge to draw upon, particularly from its world-class financial services and tech sectors. One participant gave an analogy to explain Canada's current situation: "It's like we have running shoes, but we're just not putting them on yet." Multiple participants noted that more leadership and support is needed from the federal government as there are currently no laws to enable and govern Open Banking in Canada.

There was consensus across all groups that Canada is falling behind other countries in developing digital ID and Open Banking capabilities. It was noted that many international players are far ahead of Canada in terms of both technology and regulation. International jurisdictions like the United Kingdom, Australia and Hong Kong were noted as key players who are "years ahead" of where Canada is today. A key question asked during these sessions was: "What learnings can we gain from successful global infrastructure? We have to be conscious about the excellence around the world and adopt or implement best practices."

Believing that time is of the essence, some participants suggested Canada should avoid getting bogged down by "reinventing the wheel." One participant said: "We're so far behind. Let's just get started with something. We have to find a good balance between doing the right thing and doing it perfectly."

Several participants noted that, in Canada, we are still reliant on paper-based systems when it comes to banking and identification and there is a need to continue transitioning to digital solutions. For example, one participant noted that to open a bank account, they have to physically go into the bank to produce several documents. They acknowledged that this seems to be changing little by little, but rules vary from bank to bank. Participants posited that if we can standardise credentials such as a passport, driver's license, etc. in a digital format, this would help to support interoperability.

## Theme #2: Limited consumer awareness and understanding of digital ID and Open Banking.

It was noted that there is a current lack of awareness and understanding among Canadians about Open Banking and digital ID. Participants identified the need to explain the concepts in a simple, clear way, to achieve a fundamental level of trust with the Canadian public. When it comes to data sharing and data retention, multiple participants emphasized that understanding what data will be kept, for how long and for what purpose, is key to Canadian consumers' participation and having confidence in third parties. It was also noted in one of the sessions that there should be more cybersecurity and digital ID education in the school system.

The topic of privacy and security risks was also top-of-mind for participants, especially as those risks pertain to individuals and their personal and banking information. It was suggested that “oversharing” happens when trying to open a new bank account and there is concern around what the banks are doing with that information. Some participants were worried that consumers might be blind to these risks.

### STANDARDIZATION PAIN POINTS

- Competition is a driver for so many things – as long as open banking is in place in a non-structured way. Standards might be used to entrench market power or build barriers. Standards should be consumer-driven.
- Consent processes are too complex and technical for the average Canadian to understand and make an informed decision when sharing their data.
- Part of the confusion with standardising is how all these things are interoperable between sectors and digitally.
- Information needs to be explained in plain language for the consumer.
- There are services today that are being offered that Canadians are lending themselves to with no regards to the security. It's more about convenience rather than security. Guardrails need to be put in place.
- Every information custodian can set their own standards. We need to move away from knowledge-based access to information/authentication. We have to focus on principles to move together faster. To move forward, we must empower those trust custodians.
- When we look to standards and policies, how do we mitigate the risk of certain segments of Canadian society who are not able to participate in a digital identity and transactions, or who do not wish to participate – what do standards look like for them?

## Q1.2: What rules, regulations, or standards currently exist, that you are aware of, to regulate digital ID and Open Banking?

### **Theme #3: Several other countries have implemented rules, but approaches vary and lack consistency.**

Participants mentioned various standards implemented by a number of different countries. Noting a divergence in approaches, some participants said it would be beneficial to work towards establishing common international standards (e.g. between Canada and the United Kingdom (UK)) in order to facilitate international business and mobility, among other things.

Some examples of existing standards include:

- + Estonia digitizing government services for over a decade
- + Hong Kong Monetary Authority's Open Application Programming Interface (API) for the banking sector
- + UK Open Banking standards and moving to open finance
- + Open Banking initiatives in Australia, New Zealand and Mexico with a less top-down approach

### **Theme #4: Rules are lacking when it comes to ensuring consent to share personal data.**

Many participants noted that there are insufficient standards and rules in place to ensure that consumers are only sharing the data they need to share to access services. An example provided by one participant: "When you go to the liquor store, they ask for your ID to prove you're of legal drinking age. When the cashier asks for your ID, usually a driver's license, they not only have access to your age, but a myriad of other personal information." The issue of consent was also raised, and some participants noted that sharing personal information should be based on consent.

#### **EXAMPLES OF CURRENT STANDARDS:**

- The [Pan-Canadian Trust Framework \(PCTF\)](#)
- Open standards for APIs

# Future State of Digital ID and Open Banking

In the second half of **breakout group discussions**, participants were asked to provide their views on the desired future state of digital ID and Open Banking in Canada.

Recurring themes and key insights from the discussions are summarized below.

## Q2.1: What is the ideal future situation of digital ID and Open Banking in Canada (i.e., what are the ideal use cases, what benefits can consumers/service providers reap from increased use of digital identity)?

### **Theme #5: A paradigm shift to a consumer-centric model, where individual consumers own and control their data.**

One of the most recurring themes from the discussions, was the idea of a paradigm shift from institutional data ownership and control to a more transparent and democratic consumer-centric model. It was noted in multiple sessions, that individual consumers should be empowered and equipped to control who has access to their personal data and how it is used and shared. Several questions were raised about this topic: “How can we give the user control? How can we let them leverage their own information and use it where they see fit?”

In one session, it was suggested that giving consumers access to their digital ID could create easier access to multiple bank accounts. The consumer could give permission to the institutions they want their data shared with and they could revoke permission to institutions to share data between each other.

In discussing the shift to a consumer-centric model, participants noted that education will be key to making it a reality. Consumers will need education to know how much control and power they have over their own data as well as the benefits and risks associated with digital ID and Open Banking. For example, one participant said that as a consumer, they do not know where their data is going even though they pay attention to consent. “Even when you do pay for something, you still don’t know where your data is being disclosed, which is troubling. This does not foster trust.” This concept of “informed consent” was explored throughout the sessions and participants noted that its definition needs to be clarified and made easier to understand.

## **Theme #6: Interoperability creates inclusion and value.**

The benefits and value of interoperability was discussed in several sessions, specifically as it relates to access to data across systems, provincial jurisdictions and international borders. Several participants noted the consumer benefits that could be realized, citing examples of people living and working in different regions across Canada and other countries being able to have access to their digital ID and personal and financial data to access local services.

Participants explained that interoperability is not just about technology, but is also about the system of laws, regulations, and international standards. Protocols and regulations need to allow for all entities to work together.

In addition, it was raised that broad participation is a prerequisite for interoperability to be realized. If major industry players sit on the sidelines or the barriers to participation are too great for small and niche service providers, the value and benefits for consumers will be limited.

## **Q2.2: What rules, regulations or standards are necessary for a digital identity and an open banking framework in Canada?**

### **Theme #7: Focus on privacy.**

Participants noted that strong privacy protections are needed to minimize the risk of personal information being overshared, mishandled, or otherwise compromised. One participant suggested a decentralized system may be more resilient and secure, as a centralized system has a single point of failure and data is more vulnerable to attack/fraud because it is stored in one location.

### **Theme #8: Harmonization and creation of a National Digital ID Framework.**

Participants noted that Canada needs a comprehensive digital ID system that works at both national and provincial levels, that provides a clear, simple way to achieve a level of trust with the Canadian public.

Discussions highlighted that digital ID will be up to the provincial governments, so there is the challenge of jurisdiction for this. There needs to be harmonization across federal and provincial jurisdictions to ensure the system works seamlessly across the country.

## Theme #9: Establish clear definitions and use consistent terminology.

Participants felt that there is confusion amongst consumers about what digital identity actually is and how it impacts them. Digital identity needs to be clearly defined and articulated before considering how it impacts certain sectors such as banking. It was also noted that the differences between “digital ID” and “Open Banking” need to be made clearer. There was also discussion around the term “Open Banking,” with some participants suggesting it implied a “laissez faire” or “wild west” system, so participants suggested the term “consumer-directed finance” be used instead. It was also emphasized that it is important to use plain language when trying to educate consumers as jargon or more complex, technical vocabulary can cause confusion.

## Theme #10: Learn from other countries and adopt international best practices.

As mentioned previously, participants recognize that other countries are more advanced in both digital ID and Open Banking. From a rules and standards perspective, participants saw this as an opportunity to learn from their experiences and adopt proven, successful approaches and best practices in Canada. These best practices can help inform the development of effective regulations and standards in Canada.

### CONSIDERATION FOR FUTURE STANDARDS

- **Auditing:** Certification and accreditation maintaining those standards where there is currently difference of interpretation.
- **Transactions:** Requirement for a standard way for transactions
- **Data sharing:** Create a technical framework, and common standard for data sharing.
- **Standard around digital trust and identity:** Providing consensus-based requirements into the marketplace.
- **International cooperation among standard development:** For example, between Canada and the UK at the Open Data Institute (ODI).
- **Buy-in:** Standards needs to encourage operating model for people to come together and protect and promote businesses to buy in. Otherwise, standard adoption will take a long time.