



**Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget by Interac Corp.**

February 2022



## RECOMMENDATIONS

1. Enhance government-to-citizen and citizen-to-government payments through digital, real-time payment and disbursement options used by businesses and citizens alike.
2. Move forward with technical and policy changes required to support Canadians' use of digital identity, relying on foundational government credentials to allow individuals to assert their identity and authenticate themselves when accessing services and doing business both online and in-person.
3. Build on the momentum of Minister Freeland's release of the Open Banking Advisory Committee recommendation to implement a Canadian open banking framework by January 2023 and Minister Boissonnault's mandate letter commitment to implement an open banking system in Canada.
4. Ensure that ongoing retail payments legislative and regulatory reforms strike a balance between fostering innovation and maintaining the robust safety and security Canadian consumers and businesses expect from their financial services.

## **COVID-19 CONTINUING TO ACCELERATE DIGITAL TRENDS**

The COVID-19 pandemic has accelerated trends toward digitization in the wake of broad public health measures, continued business disruptions and extended work from home. Staying at home and online has meant Canadians have been incorporating or accelerating a shift to digital solutions – in payments, government services and consumer and business transactions.

The demand from consumers and businesses has increased expectations for faster, more convenient and secure digital services, something which we are happy to see the government has acknowledged and is working to address via digital government modernization programs across several departments.

In order to meet the evolving needs of Canadians in this regard, Interac sees a significant opportunity for the government to accelerate these plans and bring forward new solutions for the benefit of residents and businesses from coast to coast.

## **OPEN BANKING**

Last year, Minister Freeland released the Advisory Committee's Final Report on Open Banking, which included a recommendation that open banking be implemented by January 2023. The report acknowledges the benefits of a secure open banking system for Canadians, enabling them to do more with, and have greater control over, their financial information. Since then, direction to introduce an open banking system was included in Minister Boissonnault's mandate letter and we are optimistic that this express focus will help to move this initiative forward.

Interac is eager to see an open banking lead be appointed to help steer the execution of all phases of the implementation plan as set out in the Advisory Committee's report. To create a truly made-in-Canada solution that is inclusive, flexible, and extensible, government-industry conversations should lead to a joint action plan where each side has a clear role to play, bringing to bear their respective value.

There is a consumer need for open banking in Canada. According to the Department of Finance, approximately 4 million Canadians use apps with screen-scraping as a method of accessing personal financial data<sup>1</sup>, even though 92%<sup>2</sup> of Canadians have privacy concerns due to not knowing how their data is used. Unfortunately, they don't have better options to meet their needs – which include help with information sharing between institutions, easier onboarding experiences, personal financial management help and more.

Open banking discussions should also focus on small-to-medium size businesses (SMBs), which made up 98.1% of all employer businesses in Canada in 2021<sup>3</sup>, and are an integral part of the economy contributing over 53.3% to Canada's GDP as of 2019<sup>4</sup>. As a result of COVID-19, small businesses were also more likely to expect a decrease in profitability and sales, compared with larger businesses<sup>5</sup>. Open banking could make it easier for businesses to set up their companies, access initial funding, manage their administration and accounting overhead, access working capital and more. Cash flow issues are among the top reasons why startups fail<sup>6</sup>. Understanding their cash flow position, which can be facilitated more easily in an open banking environment, can help them plan better and avoid future pitfalls. As the government encourages job creation in high-risk high-reward fields such as AI, new high-growth companies who have thin credit files can, through an open data platform, have easier access to funding options than they may have had access to in a non-open banking environment.

To address the above challenges and help create opportunity, the Department of Finance has a detailed path set out by the Advisory Committee report. The timeline recommended by the Committee is aggressive, and effort should be directed toward advancing the design and implementation of an open banking system expeditiously. Interac, as a trusted brand with reach across the country and expertise in governance to bring together constituents typically competitive to one another, is well suited to support the efforts outlined in the report. For the past two years, Interac has participated in open banking industry associations, has closely followed technical specification developments within Canada and globally, and continues to play an active role in convening the Canadian financial services ecosystem to address the

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<sup>1</sup> <https://www.mccarthy.ca/en/insights/blogs/snippets/senate-open-banking-report-calls-swift-government-actions#:~:text=FCAC%20Oversight%20of%20Screen%20Scraping&text=According%20to%20the%20Department%20of,%20of%20accessing%20personal%20financial%20data>

<sup>2</sup> [https://www.priv.gc.ca/en/opc-actions-and-decisions/research/explore-privacy-research/2016/por\\_2016\\_12/](https://www.priv.gc.ca/en/opc-actions-and-decisions/research/explore-privacy-research/2016/por_2016_12/)

<sup>3</sup> <https://www150.statcan.gc.ca/n1/pub/45-28-0001/2021001/article/00043-eng.htm>

<sup>4</sup> [https://www.ic.gc.ca/eic/site/061.nsf/eng/h\\_03090.html#figure13](https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03090.html#figure13)

<sup>5</sup> <https://www150.statcan.gc.ca/n1/pub/45-28-0001/2021001/article/00043-eng.htm>

<sup>6</sup> <https://www.cbinsights.com/research/startup-failure-reasons-top/Helping>

benefits and gaps on the collective road to open banking. Coupled with our role in modernizing Canada's payments infrastructure with the Real Time Rail, as well as digital ID offerings, we see increased benefits for all of Canada with the timely implementation and launch of an open banking framework.

**We look forward to working with the government as it pursues a made-in-Canada model of open banking, as a complementary effort to modernizing Canada's payments system and digital ID offerings.**

## **PAYMENTS POLICY AND LEGISLATION**

Interac is supportive of the overall direction of the government on the Retail Payments Oversight Framework and the *Retail Payment Activities Act* as contained in the 2021 *Budget Implementation Act*. We believe that a modern retail payments sector needs smart, agile regulation and look forward to continued progress in this area by the Department of Finance and the Bank of Canada.

**We encourage the government to continue working collaboratively with industry to ensure forthcoming regulations and guidelines strike a balance between fostering innovation and maintaining the robust safety and security Canadian consumers and businesses expect from their financial services.**

## **MODERNIZING BUSINESS AND GOVERNMENT PAYMENTS**

Just as COVID-19 accelerated consumer use of digital payment methods, organizations of all sizes have sought to fast-track innovations within their own business models to incorporate efficient, digital, real-time payment tools and products.

One of the ways in which the government can adapt to better serve the public is by increasing its adoption and usage of digital payment solutions. New payment capabilities offer the ability for people and businesses to conveniently pay and receive money from government, all while ensuring security and protection of personal information is upheld.

Interac recently launched *Interac e-Transfer for Business*, an innovative solution that builds on the widespread adoption of the *Interac e-Transfer* service. *Interac e-Transfer for Business* can streamline paper-based accounting processes to help businesses maximize working capital and reduce operational inefficiencies. Key features include the ability to send funds instantly with real-time confirmation, higher transaction limits and account numbers that can be used to route payments.

For the Government of Canada and other governments across the country, COVID-19 has emphasized and reinforced the need to be able to move money to individuals and businesses quickly and securely.

*Interac e-Transfer Bulk* processing services offer a secure way to make thousands of payments through a single file upload, without the need for the recipient's banking information. Governments can use this service to distribute things like emergency aid

relief quickly and securely to those who need funds fast, as well as to request and collect payments from residents. This solution has been utilized by several provincial governments to distribute aid securely and quickly, including Alberta and Ontario.

**Interac sees an important opportunity for government to modernize government-to-citizen and citizen-to-government payments through digital, real-time payment and disbursement options used by businesses and citizens alike.**

Interac is also continuing its work as a vendor to Payments Canada to deliver the exchange solution for the country's new Real Time Rail (RTR).

Interac's connectivity to nearly all Canadians via its network of financial institutions from coast to coast, as well as its experience in secure, real time payments through the *Interac* e-Transfer service, will be critical to delivering the RTR and enabling the market opportunities associated with payments modernization in Canada.

## **DIGITAL ID**

The world is being transformed digitally, with Canadians increasingly relying on technology to exchange not only money, but also their identifying information. Three in four Canadians say government services should be accessible online instead of in-person, with approximately half agreeing it is more important now than pre-COVID-19 to access health (55%) and government services (50%) online.<sup>7</sup>

With this in mind, Interac was pleased to see the government include a commitment to digital identity in its recent mandate letter to Minister Fortier. We agree that developing common and secure approaches for trusted digital identity platforms will be critical to supporting seamless service delivery to Canadians.

For digital identity to fully provide its benefit to society, it needs to be underpinned by foundational government credentials, such as birth certificates, citizenship documents or permanent residency status. These documents are the means by which we obtain other trusted identities, such as bank cards and employment credentials.

Industry has an important role to play in establishing common standards and platforms to allow for digital identities to be used widely by all Canadians. Some recent steps, such as the Digital Identification and Authentication Council of Canada's (DIACC) launch of the Pan-Canadian Trust Framework™, a set of digital ID and authentication industry standards for the implementation of digital ID across Canada, show progress in this work and a path for the acceleration of digital ID adoption.

At Interac, we believe digital identity can serve as a bedrock for an inclusive digital economy. Having recently completed a strategic transaction to acquire the exclusive rights to SecureKey Technologies' digital ID services for Canada, and following our acquisition of 2Keys Corporation in 2019, Interac is working directly with governments

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<sup>7</sup> <https://www.newswire.ca/news-releases/three-in-four-canadians-want-government-services-to-be-available-online-post-covid-19-816215447.html>

and private sector organizations to help make secure digital ID a reality across Canada. In doing so, we are aiming to leverage our deep experience with governance structures based on running a national payment network, as well as our trusted brand with Canadians.

**Interac encourages the Government of Canada to move forward with technical and policy changes required to support Canadians' use of digital identity, relying on foundational government credentials to allow individuals to assert their identity and authenticate themselves when accessing services and doing business both online and in-person.**

## **ABOUT INTERAC**

Interac Corp. empowers Canadians to transact digitally with confidence by providing payment and value exchange services. Through our world-class privacy, fraud mitigation, governance and digital identity and authentication expertise, we help keep Canadian customers safe and secure when transacting. With nearly 300 financial institutions connected to our network, Canadians choose Interac products an average of 18 million times each day to pay and exchange money.

We are a Canadian company that prides itself on being one of Canada's leading and most trusted financial brands. Our continued growth is evidenced by a workforce that increased by 35 per cent in 2020 to fill new technology and business mandates.

Interac champions workplace culture, community investment, and excellent corporate citizenship based on the principles of responsibility, diversity and inclusion. Over the past two years, we've made significant progress in creating meaningful and action-oriented change through our diversity, equity and inclusion efforts. This work was recently reinforced through a certification by Diversio – a people intelligence agency that measures, tracks and works with organizations to improve their inclusion efforts – as a Canadian organization that is prioritizing D&I to create a more equitable workplace for all employees.