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Intelligence MEMOS

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From: Harvey Naglie
To: Open Banking Observers
Re: OPEN BANKING WITHOUT A SCOREBOARD

Canada has a shiny new set of **rules** for open banking, which advocates say will bring competition to the financial services marketplace, saving consumers $1 billion a year.

Are they working? It's hard to tell because there are no public competition metrics. The regulations measure security, accreditation, and financial soundness in exhaustive detail. They do not measure the one outcome that open banking exists to produce: competition.

Objectively Ottawa's architecture is strong. It incorporates the design features that international experience associates with competitive open-banking regimes: Mandatory participation by the largest banks, reciprocal access as a condition of entry, data shared free of charge in a standardized format, and enforceable service levels backed by administrative penalties of up to $10 million. As an operating system, it is well built.

What it will not do is tell anyone whether it's working. The framework's stated first objective is to promote competition, and its Regulatory Impact Analysis Statement projects $13.2 billion in benefits over a decade. Yet nothing requires anyone to publicly report competition metrics. The framework will track security incidents, accreditation status, financial soundness, and supervisory risk in detail. It will not track the single outcome it is meant to produce.

This matters because competition is an outcome, not an architecture. Regulatory access is necessary but not sufficient: Whether entrants convert that access into products consumers choose is a commercial decision the regulations cannot make for them. Entrants may accredit without winning customers. Consumers may grant consent once and never return. Incumbents may meet every service level while holding market share through price and inertia – the very frictions open banking is meant to erode. Only outcome data distinguishes procedural compliance from competitive effect.

The $13.2-billion projection is not homegrown: It is derived from Britain's measured experience, adjusted for population, exchange rates, and an assumed 27-percent participation rate. Britain can stand behind that number because its open banking body publishes adoption data every month: Active users, regulated providers, payment volumes.

Canada has borrowed Britain's results while declining to install the scoreboard that produced them.

The omission is deliberate, and the government concedes it. The Act requires the Bank of Canada to publish consumer-driven banking information to the public, but leaves the content to regulation, and the regulations decline to supply it.

Specifying what must be published, the government writes, is "not necessary for the operationalization of the framework," though it "may be advanced in the future subject to further consultation." A statutory duty to publish is of limited value when the regulations specify no required content.

The fix is straightforward: Require the Bank to publish, on a recurring basis, the same categories Britain does – active users, regulated providers, payment volumes.

What the regulations do require flows to the Bank of Canada, not the public. Participating entities file detailed annual reports – on data-sharing performance, availability, security, and financial metrics – but in confidence to the Bank of Canada, to support risk-based supervision.

The technical standards body reports on standard performance, again to the Bank. The public registry lists names, addresses, and accreditation status. A consumer can confirm that a firm is accredited; no one can check whether the market is becoming more contestable.

The Competition Bureau, the one body equipped to judge market structure, helped design the framework but has no role in running it. The agency that should keep score is not on the field.

The consequences are practical. A second phase – write access, broader scope – is slated for decision around 2027. Without baseline data captured from first operation, that decision will rest on no evidence that the first phase worked.

The fix belongs in these regulations, not in future guidance. Guidance can be revised at the supervisor's discretion, and a baseline not captured at launch cannot be reconstructed later. The Department of Finance should use the comment period, open to August 26, to require the Bank to publish an annual set of contestability indicators – not to certify that competition is increasing, but to give Parliament and the public the record needed to judge it themselves. Those indicators should cover adoption, market participation, service quality and, once write access begins, switching behaviour. The decision to expand the framework should depend on that published record.

Open banking's premise is that data, once visible, disciplines markets. An incumbent that must surface its rates and terms to a consumer's chosen application can no longer trade on inertia. The premise is sound. The regulations should meet the standard they impose. A framework justified by competition, costing $458 million to run and promising $13 billion in return, should publish whether the promise is kept. As drafted, it does not.

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