



# Pushing the giants

Open Banking: The Collective Opportunity  
for Canada's Credit Unions

**Open Banking will have a significant impact on Canada's economy, particularly for financial institutions and consumers.**

As our banking landscape evolves in the coming years it will diversify, simplify and foster better experiences for customers and unleash new opportunities for smaller financial institutions, such as credit unions and fintech entrepreneurs.

To succeed, credit unions must embrace the need to create harmonious technologies and partnerships across traditional technical and business lines. With a history steeped in community roots and a long record of banking innovation, Canada's credit unions are well-positioned to capitalize on Open Banking and push our economy to grow in new ways.

# Introduction.

In the simplest terms, Open Banking in Canada means democratizing personal financial data -- putting the power and control over personal data in the consumer's hands. It is a tried and true financial system that has met with success in many nations, including the United Kingdom, Australia and New Zealand.

Far from a threat to Canada's financial future, Open Banking is the springboard that will launch our country into a substantially more diverse, agile and resilient economic age. Rather than waiting on the major financial institutions to push innovation forward, Open Banking will unleash creativity in how new financial products, wealth, and indeed, new markets are created.

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With a long history of innovation and collaboration, the credit union industry is well positioned to capitalize on Open Banking.



Canada's credit union system has many interested parties and important reliances, and the changes Open Banking brings will play-out in different ways, but the effects will be positive for all.

- 1 Credit union members will get better products, more choices, more efficient banking experiences, and better control over their personal data;
- 2 Small businesses that perhaps could not get credit products from large financial institutions will have access to a broad new range of options and services through their credit union;
- 3 Credit unions in rural areas and those specialized to smaller population groups will have more options to offer in their local area, and access to a whole new set of digital financial tools and services;
- 4 Credit unions of all sizes will have the opportunity to compete on a level playing field against Canada's traditional major financial institutions; and
- 5 Canada's economy will grow stronger, more diverse, and better able to recover from the economic effects of the global COVID-19 pandemic.

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To prepare for and execute on the potential of Open Banking, it is essential for credit unions to conjure an identity that may have been clearer in the past, but one which is essential to the future.

Credit unions in Canada were formed to represent the collective interests of groups who may have otherwise been underserved - people in rural communities, union members, professional and trades persons with unique needs, small business owners - the very backbone of the Canadian economy.

For Canada's credit unions and the financial industry on the whole, the best way to tackle Open Banking is with that same commitment to the collective -- pushing opportunity forward for our members, our industry and our country.

All boats float on a rising tide and this one is surely coming in.

# Why Open Banking matters.

**The standardization of data sharing needs to be accessible to all institutions. The virtual walled garden of financial data that has persisted in Canada until now is both anti-competitive and a deterrent to economic growth and good financial health for consumers and small businesses alike.**

One good example is the manner in which the Big 5 banks pushed the market towards adoption of Intuit Quickbooks because of their own technical partnerships. Unfortunately, Intuit Quickbooks is priced out of range for many smaller financial institutions, such as credit unions, so both the credit union's ability to capitalize on the product, and the member's opportunity to afford and use it are diminished.

To effect meaningful resolution, financial cooperatives and credit unions need Open Banking; not just in order to access third party products and partnerships, but to establish a fair playing field for creating new services and bringing them to a fair and open market. By doing so, both credit union members and their communities will be better-served, and new wealth and local buying power created.

This in and of itself is a good enough reason for Open Banking to happen in Canada right now. The case is greatly amplified when one considers the current global COVID-19 pandemic and its multitude of effects now rippling through our economy. Retail brands and restaurants are failing everywhere. Commercial real estate investors are reporting losses and forecasting more into 2022.

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# Yes,

the economic situation is grim, but those thinking collectively and with innovative minds can also see the opportunities that Open Banking brings in the COVID age.

Work from home and other human migration shifts are creating the need for a plethora of new housing and local businesses in smaller cities and towns, right where credit unions live. That means mortgages, home improvement loans, small business startup and growth capital, and perhaps a larger area population with a higher average net worth. Open Banking brings a whole new range of digital products and services that credit unions can introduce to their evolving markets in a very short amount of time.

That is a significant flattening of the competitive landscape and a whole new world of opportunity for many of Canada's communities at exactly the moment in history that we need local economies to be more resilient than they ever have.

# New paths for small communities and a map to Canada's post-COVID recovery.

One of Open Banking's greatest evolutions is that it gives Canadian citizens command of their own data. Rather than the sense of "being the product" themselves, Open Banking gives financial consumers control over the value of their financial identity. In smaller communities, where the sense of economic alienation can be more pervasive, Open Banking can kick-start entire economies.

Cooperatives and credit unions that serve small and remote communities often have limited bricks and mortar service hours. Because memberships are smaller, the range of services tends to be smaller and more specialized, and new digital products are introduced less often. These limitations will be overcome through Open Banking as smaller financial institutions ability to buy, build and scale new products and services diminishes.

Creating the environment for this economic stimulus is critical for Canada's recovery from the global COVID-19 pandemic, both in small towns and federally. All indications are that more and more people are leaving large urban centers for smaller cities and towns, and there is no sign that trend is diminishing. To service this enormous geographic transition of wealth and buying power - safely and sustainably - means a whole new generation of entrepreneurs must arise in areas, and industries, where before they may have been scarce.

COVID-19 has taught us that - in order to perform at the peak of our innovative ability - key data must flow like water to benefit the people. Open Banking, open technology architecture, and powerful new digital markets in 1,000 communities in every province and territory equals trickle-up resilience for Canadian economy on the whole.

But to truly 'open' banking and keep the dollars sustainably flowing, a strong data pipeline must first be in place, and the alliances to safely and productively provide open banking services built.

**What was once a 40-hour per week credit union can become a 24/7 digital concern with a product portfolio any small business member can use to do the same.**

# Agnostic technology and partnerships are essential.

For Open Banking to succeed in Canada, the public and private sectors must partner to make a joint investment in communities, economic fairness and the rights of individual citizens. By working together, government, industry and fintech entrepreneurs can build world class business solutions that benefit the entirety of the Canadian financial system.

Beyond just demanding cooperation and planning, Open Banking forces credit unions and cooperatives to reexamine the way they do business and who their organizations do business with.

It is essential that these partnerships, which will be driven by joint opportunities around digital business growth, enable both the technical and business connectivity required. To accomplish this, technical architecture must be agnostic; that is, each technology platform must be able to work with every other technology. This can only be accomplished using an open architecture approach.

Long term partners to Canada's credit unions, including Valeyo and League Data, are consulting with industry leaders now to foster the collaboration necessary to support an open-banking landscape. While each company has a different position in the ecosystem, their approach to Open Banking readiness is similar. In each case, League Data and Valeyo seek to alleviate the risk and complexity of Open Banking by solving or supporting the credit union's readiness to make the transition.

Valeyo is leveraging its technology expertise to develop a new API-based loan origination platform that is wholly vendor agnostic, meaning the credit union can use any third party service provider or system it likes to create a unique lending experience for its members. League Data alleviates risk and complexity by acting as the de facto Chief Information Officer and IT department on behalf of 47 credit unions in Atlantic Canada to ensure they have access to fully integrated technology solutions that enable growth while reducing administration and operational costs.

By strategically addressing credit unions' technology needs at a collective level, the companies enable greater innovation, faster adoption and the opportunity to thrive in the future ecosystem. The keys to success for each company are two-fold-- help clients figure out what they need to remain relevant for the future, and deliver those solutions efficiently and proactively. While not engaged in any formal partnership, Valeyo and League Data work as partners would - transparently, strategically and openly - for the benefit of their clients and the industry as a whole.

The result of this collective approach is that credit unions have an opportunity to make the leap to innovative digital financial services providers without great investment of time or human resources. With Open Banking in place, all it takes is the will of the credit union and the success of the underlying technology and partnerships.

**An important tenet on which these partnerships must be based is the need for like mindedness -- starting from the point where we all agree we are on the same side.**

**By adopting solutions built on open architecture, credit unions will ensure a less expensive, more modular, and easier to use platform.**

# Summary.

The complex technologies and relationships needed to empower Open Banking can only be built in cooperation among partners both philosophically and culturally aligned, who have the will and resolve to accept shared risk in turbulent and changing times. The opportunities to create these relationships are myriad for Canadian credit unions.

Each piece of the Open Banking ideation, creation, delivery and monetization supply chain is unique. The widgets are digital and the engines virtual, but the basics of industry intra reliance remain the same. Some credit unions and fintech entrepreneurs will build products or services for the whole industry, others just for a niche, or for their own members.

Technology companies will host and maintain Open Banking services on behalf of credit unions and cooperatives. Others yet will develop and market independent web or mobile apps and public and private investors will finance those who do. It is important for credit unions to engage with each of these entities and explore possibilities as they prepare for the future of Open Banking.

By strange fortune or cosmic design, the advent of Open Banking in Canada coincides with the COVID-19 era, one of the most challenging periods in our history and among the most financially perilous. As Canadians continue to rise as one to meet the challenge of COVID-19, so too will Canada's credit union industry define the opportunity of Open Banking by working together as a collective.\*



**League Data is the leader in technology for Atlantic Canada's credit union's needs through strategy and innovation, procurement, operations, implementation, and management. League Data's focus is to provide fully integrated technology solutions that credit unions require to deliver a member experience that enables growth, while reducing administration and operational costs.**



**Valeyo is a leading Canadian-based solutions provider, partnering with to deliver a full suite of business solutions, including technology and insurance related products and services for financial institutions nationwide. For more than 40 years, clients have trusted us to be their go-to provider based on the strength of our proprietary products, strategic partnership and people. Valeyo is a wholly owned, independently operated subsidiary of Securian Financial Group.**

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