

## Open Banking Ecosystem Sprint 2:

### Session Attendees and Discussion Summary

#### Attendees

<b>Members of the Strategic Working Group</b>	<b>Organisation</b>
Adam Gagen	Innovate Finance
Alice Mackay	PSR (observing)
Archi Shirmpton	LBG
Charlotte Crosswell	OBIE
Ciaran Gill	PSR
Daniel Jonas	Pay.uk
Dan Wilson	The Electronic Money Association
David Parker	The Payments Association
Dominic Lindley	Independent
Ghela Boskovich	FDATA
Helene Oger-Zaher	FCA (observing)
Janine Hirt	Innovate Finance
Marc Maxfield	PSR
Matt Cox	The Payments Association / NBS
Nilixa Devlukia	Open Finance Association
Philip King	Independent
Phillip Mind	UK Finance
Ralf Ohlhausen	ETPPA
Richard Rous	LBG
Robert Sullivan	UK Finance
Ruth Mitchel	The Electronic Money Association
Ryan Mason	UK Finance / Tesco Bank
Scott Farrell	Independent
Teresa Lam	FCA (observing)

<b>Chair and Secretariat Attendees</b>	<b>Organisation</b>
Bryan Zhang	SWG Chair
Alan Ainsworth	SWG Secretariat
Daniel Jenkinson	SWG Secretariat
Richard Koch	SWG Secretariat
Richard Mould	SWG Secretariat
Shannon Kingston	SWG Secretariat
Simon Marsh	SWG Secretariat

## Introduction

This note is a summary of the second Open Banking Ecosystem Strategy Sprint discussion session for members of the Strategic Working Group, which took place over Microsoft Teams on 25 November 2022.

This is a summary created by the SWG Secretariat Team, including an overview of the key points of discussion, but without attributing comments to individual participants.

## Initial Discussion

The Chair welcomed the members and thanked them for their written submissions, noting that 19 had been received to date, and then set out the objectives and meeting ground rules for participants.

The Chair explained that the session would focus on how to establish a sustainable open banking ecosystem beyond the regulatory requirements, building on the data and payments expert sessions.

## Overall prioritisation

- Secretariat shared the data of prioritisation from the evidence submitted. A total of 66 priorities were proposed, which have been clustered by the Secretariat to guide the discussion.
- This clearly showed a strong focus in submissions on Regulation and Governance and Systems and Standards.

## Standards management - adherence

- Secretariat shared the overview of the evidence supplied.
- A platform welcomed the focus on principles as an approach, but wondered if there was any thinking on how these principles could be developed. Secretariat clarified that at this stage the evidence didn't provide significant detail on this, but it could potentially be an important approach for the future.
- A trade association asked Secretariat about the evidence provided from smaller ASPSPs, recognising that there are in the region of 350 ASPSPs in the UK. The Chair confirmed that trade associations had participated who represent smaller ASPSPs, but acknowledged that this was a complex question.
- A trade association questioned the scope of 'levelling up' and assumed that it would be to address the gap between PSD2 and the CMA Order. Secretariat clarified that evidence on "levelling up" included both closing the gap between CMA9 and non-CMA9 ASPSP performance, plus improving overall performance of the whole ecosystem.
- The same trade association highlighted that there is more than one Open Banking standard used in the UK (e.g. the Berlin Group) as well as some ASPSPs using proprietary APIs, which should be factored into thinking.
- A platform suggested that there are international models or models from adjacent industries that have made this work and that they should be reviewed as precedents to learn from and potentially follow.

## Standards management - responsibility

- An international expert clarified the experience of Australia and the question of centralised vs decentralised standards development, monitoring, and enforcement. The expert explained that it has been a complex discussion with several competing voices, and highlighted that many of those promoting an OBIE type model were TPPs from the UK. Notwithstanding this, it was clarified that there was a greater degree of agreement that the "Implementation" element of OBIE had value.

- A platform suggested that to aid consideration on the concept of standards versus competitiveness, the group should look at how it works in other areas of national critical infrastructure, such as utilities and transport, mentioning that there are examples of ways to ensure that safety and resilience is consistent, whilst also ensuring that investment for innovation is competitive and preserved, citing DCMS and the digital-ID programme.
- An independent expert suggested that open banking could learn from the UK Pensions Dashboard standards setting process, where MaPS have clear powers and ability to set standards.
- A trade association questioned whether there should be a different process for the setting of standards for payments and data.

## Standards monitoring

- Secretariat set out 3 possible models for standards monitoring: regulatory monitoring, delegated to a future entity and future entity driven.
- A platform highlighted the inevitable tension between funding and monitoring/enforcement.
- A trade organisation queried whether regulators could legally delegate monitoring to a third party.
- A TPP asked the Secretariat whether end user representatives had commented on this question. Secretariat summarised views from end user representatives who had largely remained silent on technical questions of who undertakes monitoring, but had rather focused on the vital outcomes for end users of reliability, consistency, and quality. This summary was strongly endorsed by an independent expert.
- A TPP also asked about whether end user representation in any future entity had been endorsed. Secretariat confirmed that this was raised in evidence, but primarily by end user experts.

## Trust services

- Secretariat set out the evidence supplied and the options put forward.
- A bank provided additional commentary on the two models of centralised vs decentralised trust services and suggested that this is a complex and nuanced point.
- A trade association clarified that we are discussing two separate points: certificates and participant identity (trust); and a centralised repository of permissions (the Directory). The association suggested that if the two were separated it would enable a more precise response and could lead to different outcomes. For example, one could be centralised, and the other decentralised.
- A trade association suggested that there is a fundamental question for the Committee to consider: how to inject more competition into this provision, and emphasised that this lead needs to come from the Committee.

## Other functions

- Secretariat provided an overview of the evidence provided in relation to other possible functions that a Future Entity might have responsibility for.
- A platform drew in evidence from other jurisdictions and focused on public education. India for example has set out particular social goals, which have driven a widespread public education campaign. It was suggested that as a group we need to be clear on the social goals we are looking to achieve.
- An independent expert suggested that the process needs more end user engagement to define the functions and that research is key. The expert also expressed surprise that end user representation had not featured more highly in the responses submitted. In the opinion of this expert, end user representation should be critical. This view which was strongly supported by a platform.

## Potential funding principles and models

- Secretariat set out the evidence received and the wide range of views on funding, acknowledging that this was a somewhat circular question given previous evidence highlighting a range of views on the functions that a future entity should undertake.
- A trade association highlighted that this should be government funded, given the value that open banking brings to the broader economy as a public good and a national infrastructure. It was recommended that any future funding model should ensure that no parties have undue influence. This was also considered the best way to ensure that the UK retains its global leadership.
- A platform agreed and suggested that we should learn from other initiatives and the way that funding can enable innovation, for example Innovate UK. There is a well-established model here that should be reviewed.
- A trade association reinforced the challenge that it is not yet clear whether we are considering the funding of a small standards setting body or a large body.
- The independent expert endorsed the levy model, which is the funding model used by the Pensions Dashboard, which is the only model which prevents the influence of the largest players.

## Vision for Open Banking in the UK – Strawperson

- Secretariat set out some different options to envisage the vision for open banking in the UK, ranging from 'limited' to an 'ambitious vision', based a wide range of evidence collected through the two rounds of strategy sprints.
- A trade association suggested that there is work to ensure new regulation does not impact the emerging vision for open banking, for example, the recommendations from the APP scam consultation could have a far-reaching impact on the success of open banking payments. However, even with this caveat, the trade association highlighted the importance of fixing the basics.
- A TPP suggested that we need to consider payments and data separately. Payments, in this view, represent a very fast evolving market with a strong pipeline of innovation over the next 5 years. Focusing on the basics would enable that market to move forward significantly. However, data sharing was identified as being more challenging but more far reaching in significance and that more concerted efforts would be needed to drive towards Smart Data, as financial services evolve into data services. Therefore, it was suggested that promoting further data sharing propositions would require high level legislative efforts and a more visionary leadership.
- An international expert supported this separation of the vision for data and payments, noting that whilst payments are important, the need for ambition is much greater in data.
- A trade association noted that there is a significant leadership opportunity and suggested that if the UK wants to lead the world on these issues, the timing and sequencing of action is vital. Another trade association supported the ambitious vision and roadmap, but also highlighted the importance of sequencing, focusing on fixing the basics urgently.
- A trade association suggested that digital identity is a critical initiative but was not aligned on the suggestion that a Future Entity could play a role in that market.
- An independent expert was alarmed to see that consumer protection was not in the "fix the basics" vision and was only seen as a feature of a more ambitious vision.
- The same independent expert also suggested not waiting for legislation and urged the industry to move forward now. Experience was shared from the Pensions Dashboard, where work started in advance of the legislation being formalised.
- A bank wanted to ensure that consumer needs were central to the ambition. For example, there are still issues with digitally excluded and those who are struggling with access to cash. These social

goals need to be included and considered, to ensure the vision is not just focused on developing services for the digitally confident consumers.

- The same bank also wanted to ensure that risks and downsides are also considered, for example, what would the flow of investment into fintech and innovation do to the more traditional providers of financial services and their priorities (e.g. keeping local branches open), and how would a focus on digital innovation impact non-digitally active consumers?
- A trade association recognised these points but highlighted the role that fintechs can play in broadening access to financial services.
- A trade association also supported a more ambitious agenda but had thoughts on the way to deliver on this. It is not possible to “force” ambition on a market through regulation. Rather it was suggested that we need to find ways to encourage voluntary cooperation and allow market forces to deliver ambitious goals. The recommendation was that regulation should be minimised.
- An independent expert reiterated the need for a clearer research base on the issues related to the digitally excluded. Also raised was the suggestion of enabling technical solutions to broaden involvement in open banking through using chip and PIN to authenticate non-digital consumers.
- A platform highlighted the importance of looking at both the UK plc lens and balancing it with the outcomes for UK society. Noting that to be a success, the global opportunities must be considered in tandem with addressing national social goals.

## Possible roles for the Future Entity - Strawperson

- Secretariat shared a strawperson structure for a Future Entity based on the submission made by a large retail bank.
- A trade association supported the need for a review on trust services, with the potential that no long-term funding would be required depending on the outcome of the review.
- Another trade association underlined the challenge of providing responses on the strawperson, given that it has not been possible to engage with their members within the allotted timeframe. That issue was echoed by another trade association, and it was suggested that the topic may require additional time to engage and discuss more broadly.
- A trade association suggested that more discussion would be needed, because it is impossible to define a funding model without clarity on the functions carried out by any future entity.
- A TPP recognised these issues but suggested that rather than answer the ‘how’, what would be great to come out of SWG, was the identification of ‘what’ we want to achieve and suggested three key areas: a rebalancing of fees between the CMA9 and the rest of the market; everyone who benefits from the ecosystem contributes; and that TPPs who invest in developing open banking use cases for lower socio-economic groups where economic returns are lower should not be disadvantaged from doing so. Particularly any funding model which equates to the more open banking cases you do, the more you pay, they would be counterproductive as this could act to limit innovation particularly where it focuses on vulnerable and excluded consumers.
- An independent expert suggested that a complex funding model, with different funding regimes for different activities, could perpetuate the issue today where every activity needs to be reviewed to see how it is to be funded. This could hold back the ability of a future entity to move forward.
- A TPP suggested that a way to break through this discussion would be to secure government funding to support the Chancellor’s goal of building a UK ‘Silicon Valley’ and ensure the UK remained a global leader in the data ecosystem. The ecosystem should pitch for Treasury funding of a future entity, with £100m for the next 3-years and then review again after the next general election.
- A trade association suggested that European models do not provide ideal templates for the future of the UK as they have not effectively broken the link between funding and control. Government funding was strongly endorsed if the more ambitious vision is to be achieved.

## Closing Comments

The Chair closed the meeting, thanked the participants for their contributions and advised that the meeting summary would be made available to SWG members, and published on the [SWG website](#).