

Open Banking Ecosystem Sprint 1:

Session Attendees and Discussion Summary

Attendees

Members of the Strategic Working Group	Organisation
Adam Gagen	Innovative Finance
Charles Damen	UK Finance
Charlotte Crosswell	OBIE
Chris Henderson	UK Finance
Ciaran Gill	PSR
Dan Wilson	The Electronic Money Association
Daniel Globerson	UK Finance
Dominic Lindley	Independent
Ghela Boskovich	FData
Helene Oger-Zaher	FCA
Janine Hirt	Innovative Finance
Josh D'Addario	ODI
Kate Frankish	Pay.UK
Marc Maxfield	PSR
Nilixa Devlukia	Open Finance Association
Philip King	Independent
Phillip Mind	UK Finance
Ralf Ohlhausen	ETPPA
Richard Martin	FCA
Robert Sullivan	UK Finance
Ruth Mitchel	The Electronic Money Association
Scott Farrell	Independent
Stephen Noakes	The Payments Association
Teresa Lam	FCA
Thaer Sabri	The Electronic Money Association
Tony Craddock	The Payments Association

Chair and Secretariat Attendees	Organisation
Bryan Zhang	SWG Chair
Alan Ainsworth	SWG Secretariat
Daniel Jenkinson	SWG Secretariat
Deborah Horton	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 Open Banking Ecosystem Strategy Sprint discussion session for members of the Strategic Working Group, which took place over Microsoft Teams on 07 October 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 thirty had been received to date, and then set out the objectives and meeting ground rules for participants.

The Chair explained that the approach would be based around a gap analysis between the optimal future state of the open banking ecosystem beyond the regulatory requirements and that of current state.

Secretariat gave an overview of the key gaps which form the structure for the session. Three gaps relate to Gaps in Standards and Rules (Gaps 1 – 3) and three gaps relate to Building a Trusted Ecosystem (Gaps 4 – 6). Some Gaps were sub-divided as indicated below to help structure the debate.

Gap 1: Standards and Standardisation 1

- Secretariat provided an overview of the written evidence submitted and the areas where submissions supported the development of new standards and standardisation.
- There were three main areas of debate in the session.
- Firstly, the question of how conformance should be managed in the future. The points raised in discussion suggested that there was some agreement about the need to extend conformance “to cover the entire ecosystem AND for more mandatory requirements”. There was agreement that consistency and reliability are now very important. Some questioned whether evidence had been provided from smaller and mid-tier banks to support this assertion. There was also acknowledgment that, whilst there could be benefits of consistency, the picture is not clear on making the OB Standards universal across all ASPSPs. However, the point was also made that open banking systems are now critical for the small business community. Inconsistencies of application between the 9 CMA9 banks was highlighted as a known issue, although it was challenged as being less of a concern to ecosystem than the divergence between CMA9 and non CMA9 banks.
- Secondly, participants highlighted the importance of agreeing the vision we are collectively working towards as that will determine what is required on issues like reliability. The current regulatory requirement is for performance to be in-line with that of direct channels which is different from a performance standard which is in-line with current card schemes. Closing that gap would be a significant piece of work and would require a strong business case highlighting the consumer benefit.
- The third key area of debate was on broadening the scope of open banking to additional product types.
- The written evidence had suggested that there was broad support for this and this was echoed in discussion. However, the discussion also acknowledged challenges in prioritisation and the importance of resolving whether gaps should be addressed through regulation or whether market forces would be sufficient.

Gap 1: Standards and Standardisation 2

- Secretariat provided an overview of the evidence submitted, focusing on misalignment in written evidence on three topics: fraud, non-regulatory API pricing and consumer protection.

- On Fraud, it was noted that the level of granularity of the fraud data presented was limited and therefore conclusions were hard to draw. Increased granularity of the types of fraud being seen in open banking, would better inform the debate. The Chair agreed. The APP fraud work being conducted by the PSR was also highlighted as were concerns over increased friction that could be introduced into open banking payment journeys as a result.
- The expansion of the ecosystem, although noted as an area of misalignment in the evidence summary, was acknowledged as a key priority to solve. It was suggested that to help facilitate that, greater reliability and consistencies would be required. An Independent Expert also underlined the importance of reliability and consistency today for SMEs.

Gap 2: Multilateral Agreements

- Secretariat provided an overview of the evidence submitted.
- The discussion acknowledged the role that multilateral agreements could play, as long as they didn't contravene competition law, and also covered the question of whether a regulatory mandate may be required. Several participants expressed the view that commercial drivers and contracts alone would not be enough to move the market forward, and that a hybrid model including regulation, would be required to ensure a fair and open market. Contracts could play a role to address specific problematic issues like API performance and disputes, but on larger issues like expansion of scope and pricing, without a regulatory requirement, many participants agreed that it would be very unlikely that sufficient progress would be made as a result of the widespread misaligned incentives in the market.
- Achieving an appropriate balance between contract and a regulatory push was consistently flagged as being required, noting that a hybrid model may be needed to drive the ecosystem forward.
- Participants put forward the following examples or points to support this view:
 - In the views of an Independent Expert there are significant conflicts of interest: one example is that large banks are the biggest beneficiaries of inert savings balances and therefore are unlikely to prioritise changes that could threaten that position.
 - An Independent Expert also highlighted failures of a number of market-led approaches in recent years which have tended to allow the largest players to dominate the market. The Midata experience was cited as a classic example.
 - Another view also highlighted that there are inevitably going to be winners and losers from instant payments, and that the idea that winners and losers can get round the table and agree the way forward is unrealistic.
- JROC was encouraged to review other international markets like the Netherlands, which doesn't have 100% availability, yet works effectively for online purchase, and Japan where contracts have failed to move the market forward. This is in contrast to a market like Australia which ensured that areas such as liability, disputes, and protections were not left to be resolved in contract but included in the underlying regulation. A platform suggested reviewing learnings from India which shows that consistent approaches and experiences are critical. The India payments stack is built out from a strong and consistent authentication core.
- One participant suggested that the UK market needs to open broader datasets, which in turn could drive benefits to large retail banks, improve the balance of benefits and help lead to improved innovation. It was recommended that the conversation is opened beyond that of open banking and finance to open data across the UK, as it would potentially change the considerations and solutions proposed.

Gap 3: Resolution and Redress

- Secretariat provided an overview of the evidence submitted and some of the key areas of divergence.
- The first area of discussion was on Crisis Management.
 - An Independent Expert shared experiences of a large data breach from a large telco party in an international market, who are due to join their data sharing ecosystem. This has encouraged the development of a crisis plan.
 - Another Independent Expert suggested that open banking is also not prepared for a crisis, such as a major data breach. This could, in their opinion, mean that open banking may not meet the threshold of operational resilience as defined by the Bank of England. Key concerns include an absence of overall ecosystem plans and responsibilities, lack of a notification protocol and clear definition of responsibilities of different parties including unregulated TSPs. The Expert suggested that the first notification of a data breach could be picked up by social media or from mandatory reporting of data breaches to the ICO, meaning that any response from within the ecosystem could be delayed and fragmented. There was a need for a facilitator function to coordinate responses, in the event of an ecosystem crisis
 - As a counterpoint, the group was reminded that there are already very stringent crisis management requirements on individual firms within the industry and that any potential future change of approach to align across the ecosystem should ensure that plans do not duplicate existing efforts.
 - An SME expert said that many small businesses assumed that they were safeguarded. Systems need to be in place to respond to a crisis, to avert the risk of credibility within the broader infrastructure.
- On dispute management:
 - One gap was cited as disputes between firms within the open banking ecosystem, as gaps in consumer protection are covered by legislation. The management of inter-firm interactions today do not appear to be either timely or efficient.
 - One party acknowledged that the existing open banking dispute management system is almost unused, but that position may change with increased functionalities being available, referencing VRPs as an example, and subsequent increase in use.
 - Imminent changes to APP Fraud reimbursement were referenced, which would require liabilities to be shared between both parties in the payment chain, which could require more complex disputes resolution mechanisms.
- The conversation concluded with a reminder that we should consider the impacts of the new Customer Duty on firms and consider how they may impact open banking journeys, including for example how firms present the differences between payment methods to consumers.
- There were divergent views on the role that FOS should play in settling customer disputes. Some respondents considered that it would be more efficient to have an internal arbitration framework, but an Independent Expert viewed FOS as having more independence and credibility.

Gap 4: Trust & Consent

- Secretariat provided an overview of the written evidence submitted
- An Independent Expert suggested that prior to considering the topics of trust and consent, we need to resolve the evidence gap around customer adoption. UK Open Banking currently has in the region of 10% adoption, which seemed to be lower than comparable initiatives at this point in their development. Furthermore we don't know what type of consumers are using open banking today.

This insight is potentially available from banks, however, that would require regulators to enforce the disclosure.

- As a counterpoint to this, another participant suggested that consumer change takes time and it requires significant perceived value to change consumer behaviour.
- Although one Independent Expert saw value in a Trustmark, if it had real relevance and was credible, few other voices supported it and saw other priorities to build trust. Another participant suggested that the sense of trust is closely tied to who their data is being shared with. As such the view was that a Trustmark would not help in that sense. The suggestion was that additional research is done in that area to build out a balanced view and that a consumer educational exercise may be required.
- An Independent Expert made it clear that someone needs to own the building of a trusted ecosystem and then to drive it forward and take responsibility, otherwise the chances of success would be limited.
- One participant suggested that rather than trust, the key blockers to adoption were functionality, availability, and consistency.
- Clarity of what open banking is emerged as a key theme. One consideration raised was whether consumers really understand what open banking is. An Independent Expert said that open banking is a meaningless term and that the ecosystem needs to do a better job of explaining the value it brings to people and small businesses.
- The concluding remark on the conversation suggested that a recognisable, consumer-facing brand would be required to drive awareness and adoption of open banking payments.

Gap 4: Trust and Consent 2 (Onward Sharing)

- Secretariat provided an overview of the written evidence submitted.
- An Independent Expert discussed the situation in Australia. The approach to onward sharing, it was suggested, was potentially too tight in the early stages which restricted adoption. It has since partially opened-up to those advising end customers, and the market is now reviewing a broader opening-up of onward sharing.
- Recommendations were discussed to impose a duty on those operating within the framework to be open, fair and honest and an Independent Expert suggested that regulators should enforce transparency.
- The key risk was noted that, if you allow data to be shared outside the regulatory perimeter, there is potential for firms to avoid certain aspects of the Standard. These are live issues being considered on the development of the Pensions Dashboard.

Gap 5: Roles within Ecosystem

- Secretariat provided an overview of the written evidence submitted.
- An Independent Expert underlined the need for oversight of all parties within the ecosystem. There needs to be a standards-setting function with power and authority over all parties within the ecosystem, to enforce monitoring and compliance. The Pensions Dashboard ecosystem has more control over all parties in the ecosystem as a comparable example.
- It was suggested that the open banking ecosystem does not yet have the right roles and responsibilities defined and in-place to mitigate the potential levels of risk.
- Open banking was noted as being a multi-party, complex ecosystem. There have been examples of such ecosystems in the past resulting in consumer detriment, so it is important to get this right and have the right structure in place.

Gap 6: Capabilities and Functionalities

- Secretariat provided an overview of the evidence submitted and the 6 gaps identified.
- A Platform commented on the Standards Development responsibility. Fragmented rules and standards present a risk and could impact user journeys.
- It was noted that Faster Payments was due to be replaced by the NPA in 2025 and that should be a critical consideration for the future of open banking payments.
- Responding to a comment in the deck, a Platform suggested that Pay.UK is independent and could therefore support open banking payment API standards in the future, although this would require an increase of resource. A counterpoint was made that Pay.UK is not seen as independent by some participants and may have competing priorities.
- The importance of a continued and expanded compliance and conformance service was suggested as a clear and required function. One benefit of this would be help built trust towards open finance.
- Looking at international jurisdictions, it was acknowledged that where there is a strong, clearly defined organisation in place to drive change forward, and consider the views of users, we see better progress.
- One participant welcomed the progress made to date in the Sprint, but asked whether as a collective the right things are being looked at, what would be game changing proposals versus process improvements and suggested that 2–3 game changing initiatives should be identified to help drive real changes.
- Following the completion of the first sprint and as the group move into the “how” phase, the future funding model was acknowledged as being critical.
- A Platform called for clear priorities, outcomes, and responsibilities to be identified to support plans during the next 2/3-year period.

Other Comments

- The Chair invited comments and asked participants to highlight any missed areas.
- An Independent Expert suggested there were evidence gaps and questioned how they could be closed.
- An Independent Expert challenged the view that open banking has been a success for consumers. It is not clear that retail banking has become more competitive, and several anticipated use cases have not materialised. In challenge, it was suggested that a longer time perspective should be considered.
- The importance of the future open banking roadmap dovetailing with other related initiatives was called out, the development of the NPA being used as a supporting example.
- For collective awareness, the Chair provided a high-level summary of the forthcoming SWG key activities and next steps.

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](#).