



All Party Parliamentary Group
FinTech

The Future of Open Banking with the CMA

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APPG on FinTech AGM 2016

Location: Committee Room 17, Palace of Westminster

Date: Wednesday 18th January 2016

Time: 09.00-11.00 AM

Attendees:

Title	First Name	Last Name	Company	Title
Mr	Adam	Afriyie MP	Parliament - Conservative	MP for Windsor, Chair APPG FinTech
Mr	Will	Archdeacon	Parliament	Parliamentary Researcher
Ms	Diane	Beddingfield	ThinkMoney	IT Director
Mr	Adrian	Black	Contego	CEO
Mr	Andy	Booth	Barclays	MD, Transactional Banking
Mr	Tom	Burton	Barclays	VP, Government Relations
Mr	Robert	Churcher	PwC	Manager
Ms	Flora	Coleman	TransferWise	Head of Government Relations
Mr	James	Dear	iWoca	Co-founder
Ms	Nicola	Donegan	Delotte	Manager, Risk Advisory Practice
Mr	Conrad	Ford	Funding Options	Founder and CEO
Mr	Jeremy	Fraser	Open Banking Implementation Entity	Challenger Bank Stakeholder Rep
Mr	Colin	Garland	CMA	Director in Director, Remedies, Business and Financial Analysis
Ms	Laetitia	Glossop	Hammond Partners	Partner, Asset & Wealth Management
Mr	Chris	Gorst	Nesta	Open Banking Challenge Prize Lead
Mr	Marcus	Gruenwald	Finpoint	Head of Product
Mr	Sameer	Gulati	Innovate Finance	Policy and Research Adviser
Mr	Paul	Horlock	Nationwide Building Society	Head of Payments
Mr	Freddy	Kelly	Credit Kudos	CEO
Mr	Henry	Kuang	EY	FinTech Strategy
Mr	Gavin	Littlejohn	Fdata, Open Banking Implementation Entity	Director, Non-Exec Chairman
Ms	Dea	Markova	Innovate Finance	Head of Programmes

Mr	James	McMorrow	Lloyds Banking Group	Senior Manager, Payment Strategy & Business Development
Mr	Steven	Moore	Fiserv	Product Manager, Agility
Ms	Sophia	Morell	Parliament	Senior Parliamentary Assistant
Mr	Daniel	Morgan	Innovate Finance	Director of Policy and Regulation
Ms	Pamela	Novoa Ralli	Sage	Head of Product Marketing
Mr	Mark	Pearce	Experian	Strategic Business Development Director
Mr	Andrew	Pinder	Open Banking Implementation Entity	Implementation Trustee
Mr	Jonathan	Reynolds MP	Parliament - Labour	Shadow EST
Mr	*Bill	Roberts	CMA	Assistant Director of Remedies, Business and Financial Analysis
Mr	John	Salmon	Hogan Lovells	Partner, Corporate Practice, Financial Institution, TMT sector
Mr	Alasdair	Smith	CMA	Chairman, Retail Banking Investigation
Ms	Gill	Street	CMA	External Relations Manager
Ms	Janet	Walker	Parliament	Chief of Staff to Tom Tugendhat MP
Mr	Craig	Williams MP	Parliament - Conservative	MP for Cardiff North
Mr	Sarah	Williams-Gardener	Starling Bank	Public Affairs
Ms	Sophie	Winwood	Innovate Finance	Analyst
Mr	Stephen	Wright	RBS	Payments Strategy & Innovation Lead

Agenda

- **Welcome:** Adam Afriyie MP (Chair, APPG on FinTech)
- **Overview of CMA Retail Banking Investigation & Open Banking**
 1. Bill Roberts (Remedies, Business and Financial Analysis, CMA)
 2. Andrew Pinder (Implementation Trustee, UK Open Bank Implementation Entity)
- **Update on the Open Bank Implementation Entity**
 1. Gavin Littlejohn (FinTech Stakeholder Group, UK Open Bank Implementation Entity)
 2. Jeremy Fraser (Challenger Bank Stakeholder Group, UK Open Bank Implementation Entity)
- **Open Discussion with participants:** key challenges, solutions and next steps with Open Banking
- **Closing:** Adam Afriyie MP (Chair, APPG on FinTech)

Welcome: Adam Afriyie MP

- The use of data is increasingly prevalent across industries and in particular in financial services.
- Open Banking represents a potentially seismic shift in the landscape for retail banking and promises to open up a new market for FinTechs to make use of customer data, in order to enable people to better save, manage and invest their money.

Overview Open Banking: Bill Roberts

- Background to Open Banking: started with the 'Fingleton Report' in 2014, where it was posited that the use of APIs could transform the financial landscape. The Open Bank Working Group (OBWG) then picked up this mantle and delivered a framework for an Open Banking Standard, in a report published in February 2016.

The CMA then published its final report on the Retail Banking Market, in which an open API standard for banking was included in the final recommendations as the first foundation remedy to support greater competition in retail banking.

- The benefits of Open Banking include: presenting a broader financial picture of people through the sharing of data. Moreover, the secured sharing of data with trusted 3rd parties moves us the past the need to disclose online credentials, which can lead to up to 80% of people choosing not to share their data.

Open Banking could also lead to totally new products / smarter applications (such as the tracking of overdraft, and smarter credit scoring) and the more general unbundling of services.

- The key to the successful implementation of Open Banking is engendering consumer trust and confidence. According to a recent Ipsos Mori survey, if there is a perceivable pay-off to consumers they are also more inclined to share data, but central to this is also creating a secure environment for sharing data, and having a suitable redress mechanism.

- Some of the recommendations put forward by the CMA re: Open Banking (which has subsequently been reaffirmed in the final implementation order) include: agreeing common standards for APIs, creating a forum for standards to be discussed and requiring for the creation of an implementation entity (IE).

Overview Open Banking: Andrew Pinder

- Andrew is the independent implementation trustee, working with the implementation entity, whose role is to operationalise the recommendations of the CMA re: Open Banking.
- Some of the key areas of focus for the entity include: building the technical infrastructure with institutions, for example the ability to physically access APIs, as well ensuring appropriate security standards are in place. Further issues that will need to be discussed include liability, as no products using these banking APIs are currently on the market.
- It was acknowledged that an education campaign might be necessary, though this will not be led by the IE.

Update on Open Bank Implementation Entity: Gavin Littlejohn

- It should be stated that there is still a market for 'screen scraping', which is presently not regulated. These nonetheless provide useful services, and so there is a discussion amongst the IE on how you add in services from different providers – for example could there be a regulated / un-regulated track, each with different liability models? The challenge here is communicating this to consumers.
- The general requirement of the IE is to not make things too complex.
- The work of the IE is the first stop to a longer destination – namely the use of APIs for other financial services such as: credit, mortgage, pensions data etc.
- A challenge for the IE is how to bring together the various public-policy stakeholders into the dialogue, namely: CME, FCA, EBA, HMT amongst others. Perhaps there is a role for the APPG on FinTech to assist with this?
- Some key issues that are being addressed by the IE include:
 - A liability model. For example, FinTechs that connect via read/write data increase the level of complexity in the system, which makes a liability model harder to create, requiring clear standards
 - Secure customer authentication
 - Cyber risk insurance policy
- A key comment was that the role of the IE is to 'deliver the track' that will enable the smooth operation of Open Banking, as opposed to second-guessing what happens between the end customer & third party.

Update on Open Bank Implementation Entity: Jeremy Fraser

- Other areas of focus that the Challenger Bank Stakeholder Group of the IE are looking into include:
 - The ability to access the 'right data' that is unredacted.
 - There is a need to coordinate closely with the alignment of PSD2.
 - Questions around GDPR – how should the use of data be minimized? What sort of consent is required and how could this be withdrawn.
 - Right type of API / format of data – need to be driven by the requirements of challengers & FinTechs.

Open Discussion with Participants

- What are the deadlines associated with the roll out on an Open Banking standard?

Non-personal data Q1 2017 (March), this means access to data including: ATMs, products available. With respect to the 2018 timeline for including transactional data, there are still plenty of difficult issues to resolve- namely around liability and security – as well as ensuring what is developed is able to fit the industry moving forward.

- What are the issues around data security and ownership?

An institution would hold *your* data, which must be properly protected. As for liability, there are complexities over responsibility, as this would not just be a simple handover of data. A key question is at what point does liability transfer to someone else in keeping your data?

The question of security is also at the same time a question about 'loss'. One must be able to put the customer back in the situation they were in before experiencing a loss from say a data breach.

- Another critical concern is authentication vs. authorization. For example its up to banks to ensure authentication, that is the identity of customers can be ascertained. But there also needs to be a secure authorization process where for example a third party has continuous authorization for say 6 months on a specific use case.
- The hard bit might prove to be determining which FinTechs get to go on APIs. If we take the example of the Bank Referral Scheme, there was a significant due diligence process by the BBB, and each bank then had to do their own due diligence. The way this was resolved for one vendor was adhering to the Government's own set of security / procurement standards.

This issue may prevent Open Banking being truly open.

Solutions to this may include a set of standards governing who gets to use APIs, or perhaps whitelisting / 'a registry' – that is in line with FCA regulatory approval, and allows secure access to payment data. A broader 'register' might enable access to open data (e.g. pricing / terms and conditions).

- Other considerations include the level of security / protection required, for example if data is for comparative purposes only (read) vs. payment initiation (write), how would the level of protection required vary?
- What will happen to the practice of 'screen-scraping'?

It is likely that data being scraped will come into APIs, but that there will be a transition period in bringing this practice under the regulatory fold / within a regulatory framework. The challenge here is in ensuring that the picture with respect to open banking data is not muddled – for example it might not be beneficial to have multiple regulations for products, some of which fall in the Open Banking Standard and others which do not.

There might a role for the APPG here to convene the broader discussion across agencies on this.

- How will FinTechs be heard – is there a need to develop consumer trust and education?

Banks already have existing relationships with consumers, so there is need for FinTechs to build their relationship with consumers – CMA/FCA/HMT also have a responsibility to make clear what is available through Open Banking.

In other words a coordinated approach is required: 1- understanding the opportunity that FinTechs provide. 2- trust – which FinTechs can I trust?

- What is the process to extend Open Banking to other products – credit cards, mortgages, loans etc.?

The key for the Open Banking Implementation Entity is to build the infrastructure ‘or the rail-tracks upon which future trains would run’; in this sense it would be the same platform and techniques that could be applied to a wide range of products.

- What is the role of industry testing within the scope of work around Open Banking?

There will be a sandbox developed to allow industry players to test against APIs, though this will require participants to register to use such this facility.

Note: Nesta is also looking (as mentioned in the CMA final order into retail banking) to incentivise data-sharing to build products for Open Banking services. This program, called ‘The Open Up Challenge’ will be launched in March 2017 and will also have a sandbox accompanying the project to facilitate testing.

A key question here is that with a number of sandboxes afoot, how will they work alongside one another- to both mutually re-enforce and learn from common challenges, but to also avoid duplication of efforts?

- How does the UK compare to other jurisdictions?

The UK seems to be maintaining its comparative advantage in Open Banking. For example, big banks in the US have used screen scraping far in advance of efforts in the UK, however they have yet to develop a coordinated approach to opening data in banking. Moreover the Australian government is also looking to follow a similar approach to the UK’s.

There may also be the scope to develop British standards to become a leader in the field of Open Banking.

- There could be further collaboration between the work of Open Banking and the Pensions Dashboard, especially as both look to digitize the approach towards financial services. Though this falls out of the scope of the Implementation Entity’s work, and given the tight deadlines there is only so much that can be reasonably be expected to be delivered by the group.

Closing: Adam Afriyie MP

- 50% of interactions are now online, and by 2020 this is set to increase by 75%.
- As new products / services enter the market, what should the role of the FCA/CMA be in badging in or promoting consumer confidence?
- The development of standards could provide a useful conduit to enable the UK to lead in the field of Open Banking.



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