

Call for Input: Open finance

December 2019

How to respond

We are asking for comments on this Call for Input by **17 March 2020**.

You can send them to us using the form on our website at:
fca.org.uk/call-for-input-open-finance-response-form

Or in writing to:

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Unless respondents request otherwise, responses to this CfI will be shared with the Government to inform its approach towards developing smart data and open finance in the UK.

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1 Summary

Why we are publishing a Call for Input

- 1.1** Data and technology are increasingly driving changes in financial markets, producing new business models, products and ways for firms to engage with their customers. As a regulator, we need to understand how this change will shape markets in the future, and determine what role we should play in facilitating it. Our aim is to ensure such innovation works in the interests of consumers.
- 1.2** The UK has led the way internationally in the development of open banking. Open banking was designed to increase innovation and competition in banking and payment services. Along with the revised Payment Services Directive (PSD2), it introduced a secure environment enabling customers to consent to third parties accessing their payment account information or making payments on their behalf.
- 1.3** Though we expect it to take several years to see the full extent of market development and innovation, open banking has already led to the launch of new products and services that help consumers and businesses make the most of their money, understand their finances and make payments. We want to take stock of these successes and identify if there is more we can do.
- 1.4** We also want to consider the potentially transformative benefits that could come from so called 'open finance'. Open finance refers to the extension of open banking-like data sharing and third-party access to a wider range of financial sectors and products.
- 1.5** In our 2019/20 [business plan](#), we committed to leading the debate on open finance and to setting up an external advisory group to help us drive forward our future strategy. The discussions of this advisory group have informed this Call for Input (CfI).

Our vision for open finance

- 1.6** Open finance has the potential to transform the way consumers and businesses use financial services. It could make it easier to compare price and product features and switch product or provider. It could help widen access to advice and support in decision making. It has the potential to improve competition among financial services providers, spurring innovation, development of new services and increased demand. It could boost access to commercial lending and increase business productivity.
- 1.7** Our vision for open finance is one in which:
- consumers and businesses:
 - can grant access to their data to trusted third-party providers (TPPs) and in return gain access to a wider range of financial services/products
 - have greater control over their data

- engage with their finances, and are empowered to make better financial decisions
- increased use of open finance services spurs greater innovation, benefiting consumers by providing a broader range products and services that better suits their needs
- widespread use of new services improves the financial health of consumers and businesses in the UK

1.8 The General Data Protection Regulation (GDPR) provides for a right of data portability in the sectors we regulate. Our assumption is that given this, and wider trends in digital innovation, wider use of data is highly likely.

1.9 We have already seen banks and pension providers develop their own proprietary Application Programming Interfaces (APIs) to enable third parties to offer services to their customers. The Investing and Saving Alliance (TISA) has also developed APIs for open savings and investments.

1.10 Developments in other jurisdictions also highlight ways in which open finance could develop. The Consumer Data Right (CDR) in Australia, for example, goes beyond open banking by giving consumers the right to give third parties access to their mortgage and deposit accounts.

1.11 For a forward-looking regulator, this raises the following questions.

- Is open banking on track to achieve its potential? (Chapter 2)
- What are the potential benefits of open finance in the markets we regulate and to our operational objectives? And will those benefits materialise without intervention? (Chapter 3)
- Could open finance pose any risks to our operational objectives? And would our current rules be sufficient to mitigate them? (Chapter 4)
- Under what conditions would open finance develop in a way that delivers the best outcomes? (Chapter 5)
- Given the above, what role should we play? Do we need to intervene, and if so, in what way? (Chapter 6)

1.12 This Cfi seeks feedback to help us answer these questions and inform our regulatory strategy toward open finance. We don't assume intervention is necessary or inevitable. But we are committed to playing our part to ensure open finance develops in the interests of consumers.

Wider context

1.13 We are seeing increasing innovation in how firms are using data and technology to offer new products and services to their customers. We want to ensure value and good outcomes for consumers and businesses who are engaging with these products and services.

1.14 Over the last few years we have highlighted several key challenges for consumers and firms participating in financial markets. These include the ethical use of data and the impact that unfair price discrimination can have on longstanding consumers in the general insurance, cash savings and mortgage markets. This has also been the subject

of a super-complaint from Citizen's Advice and a subsequent Competition and Markets Authority (CMA) investigation.

- 1.15** In each of these markets, the impact of price discrimination has been exacerbated by a lack of shopping around by some consumers. Open finance is a potential long-term solution.
- 1.16** We highlighted in our recent market study, General insurance pricing practices (October 2019), that open finance and increasing use of consumer data have the potential to transform how consumers use financial products.
- 1.17** In our Retirement Income Market Study (2015) and Financial Advice Market Review (2016), we recommended that the Government champion and play a convening role in developing a pensions dashboard. This would be a consumer-friendly digital interface enabling consumers to access and view information about all their pension savings (including state pension, workplace pensions and private pensions) in one place.
- 1.18** The Department for Work and Pensions (DWP) and the Money and Pensions Service (MaPS) are taking this recommendation forward. MaPS has convened an industry delivery group (IDG), that will facilitate implementation of the technology that will enable dashboards to operate. The design, delivery, function and content of dashboard(s) will be advised by the IDG.
- 1.19** The Department for Business, Energy and Industrial Strategy (BEIS) recently published its smart data review which consulted on proposals to establish a Smart Data Function (SDF). The SDF is designed to oversee the delivery of smart data initiatives to allow consumers to instantly, safely and securely share their data with third parties across multiple markets.
- 1.20** To do this, the SDF envisages harmonising sector 'smart data' initiatives to ensure consumers have a common experience across different sectors and that cross-sector links can be developed and commonalities exploited.
- 1.21** We are responsible for regulating financial services, and the Treasury sets public policy for financial services. We are working closely with BEIS and the Treasury on this wider work.
- 1.22** The Government Digital Service (GDS) at the Cabinet Office and the Department for Digital, Culture, Media & Sport (DCMS) have jointly published a call for evidence of how the Government can support improvements in identity verification and support the development and secure use of digital identities. An improved and secure digital identity system could benefit firms and consumers participating in open finance.

Who should read this Call for Input?

- 1.23** This CfI will be of interest to:
- consumers
 - banks, building societies and credit unions
 - consumer credit firms
 - electronic money and payment institutions
 - financial advisers
 - fintech and innovative businesses
 - general insurers and insurance intermediaries

- investment managers
- life insurers and pension providers
- mortgage lenders and intermediaries

Next steps

- 1.24** Please send us your views and input by 17 March 2020. Details of how to respond to this Cfi can be found at the start of the document.
- 1.25** The potential for open data extends beyond financial services and our remit. And questions of the regulatory perimeter and legislation are a matter for the Government.
- 1.26** Responses to this Cfi will inform our discussions with the Government and be shared with the Treasury and BEIS, unless respondents request that they are treated as confidential.
- 1.27** We will continue to work closely with the Government as we consider our approach to open finance. We plan to publish a feedback statement in summer 2020.

2 Taking stock: development of open banking

- 2.1** Open banking is an emerging market and the full set of requirements only started to apply in September 2019. While it is too early to assess the full impact of open banking, it has already led to positive developments for consumers and businesses.
- 2.2** This chapter seeks views on experiences of open banking to help us assess if open banking is on track to achieve its potential.

What is open banking?

- 2.3** Open banking enables customers to consent to third-party providers (TPPs) accessing their payment account information and or making payments on their behalf. Throughout this document we use 'open banking' to refer to aspects of PSD2 that enable consumers to do this.
- 2.4** The UK has led the way internationally in the development of open banking. The Competition and Market Authority (CMA) made an Order requiring the 9 largest banks and building societies to develop an open banking standard for accessing current accounts. The Open Banking Implementation Entity (OBIE) was established to deliver the API standards as required by the CMA Order.
- 2.5** The Payment Services Regulations 2017 (PSRs), which implemented PSD2 in the UK, took open banking further by providing a legal right for regulated TPPs to access payment accounts accessible online, provided they have the customer's explicit consent. Account providers must allow TPPs to access the payment account data and make payments.
- 2.6** The PSRs brought different services relying on access to accounts within our remit:
- **Account Information Service (AIS)** providers access account data for consumers to see all their payment account information from different bank accounts in one place eg a mobile app.
 - **Payment Initiation Service (PIS)** providers enable consumers to pay merchants directly from their bank account without having to use a debit or credit card.
 - **Card Based Payment Instrument Issuers (CBPIIs)** provide payment cards where they are not the customer's account provider.

What we are seeing in the market?

- 2.7** Since the introduction of PSD2 in January 2018 we have registered or authorised over 135 new providers offering AIS and/or PIS.

2.8 Through our Innovate project (the regulatory sandbox, direct support and the advice unit), we have supported dozens of start-ups as well as established firms in using open banking to introduce innovative products and services. These have helped enhance competition, better serve vulnerable consumers, and enable consumers to better manage and understand their finances.

2.9 To date, most market developments have involved AIS business models rather than PIS, and customers of AIS have been consumers as well as businesses (eg small to medium sized enterprises (SMEs)). Examples include:

- Credit reference agencies using transaction data to help consumers and businesses with thin credit files access finance.
- Intelligent financial tracking apps helping customers avoid going overdrawn and helping them put money away in products that work for them.
- Account dashboards seeking to grow financial awareness and help customers shop around.
- Debt advisers using open banking to assess their client's finances.
- Dashboards using payment initiation services to allow customers to move money between different bank providers.

2.10 We have a role in assessing the APIs of banks and other payment account providers under PSD2. Our assessment has shown that the development of APIs has taken time and been challenging. Some providers have not been ready in time or have provided unreliable interfaces. While we support the use of APIs, we also understand that integrating them can be a big task.

2.11 At the outset of open banking, several services were envisaged. In the table below, we set out the open banking services that have developed in the market. We also identify services not yet developed or in early stages.

Table 1 Opening banking services

Envisaged services which have developed	New developments which were not envisaged	Envisaged services which are not yet developed/early stages
Account aggregation	Financial inclusion	Automatic product switching
Account data access to inform lending decision	Protections for financially vulnerable people	Balance transfer management (credit cards)
Personal financial management	Legal aid and welfare support advice	High balance sweeping
SME financial management	Retrospective Gift Aid claims	Cashflow optimisation
Account-to-account money transfer using PIS	Several API aggregation services have entered the market	Interest maximisation
		Merchant payments using PIS
		CBPIIs providing payment services

Achieving the potential of open banking

- 2.12** Open banking is the first data sharing and data access initiative of this scale to be underpinned by legislation requiring industry institutions to provide access to other providers. We expect it to take several years to see the full extent of market entry and innovation. But we are seeing promising levels of interest in open banking from technology firms, incumbents and innovators in and outside the UK. We want to know if there is more we can do. We are also interested to understand what this can teach us for the future development of open finance.
- 2.13** Table 1 above suggests that while open banking has reached a certain level of development, with firms showing promising levels of interest, further developments are still needed. In part, it is likely that the development of open banking will be ongoing and evolve with firms' technological capabilities and the public's attitude towards data portability.
- 2.14** However, its development will also require (and we want to see) compelling consumer propositions that will drive demand and uptake. We recognise this may require the offering of a wider set of services. Open banking only provides access to payment account data, and does not provide consumers with a holistic view of their finances. This could be supported by open finance.
- 2.15** We also recognise that barriers may exist that prevent TPPs from offering more and better services to customers. Some of these barriers may be due to limitations in the regulatory framework while others have been well documented at European and UK level.
- 2.16** In addition, there may not be sufficient incentives for established firms to open up access to data. And commercial models that provide an incentive to share data may not be sufficiently developed. We want to understand the impact these limitations have on firms' business models. We also want to understand whether there are other barriers and how those barriers could be lifted.

Q1: What action can we take to help ensure the potential of open banking is maximised, for instance to support the development of new open banking services?

Q2: We are interested in your views on what open banking teaches us about the potential development of open finance.

3 The opportunity of open finance

- 3.1** Open finance has the potential to transform the way financial markets work for consumers and businesses. However, the nature of these benefits will vary in different sectors, and depend on the extent to which open finance develops across those sectors.
- 3.2** In this chapter, we set out what we mean by open finance, and seek views on the benefits it could bring to consumers and businesses across the sectors we regulate.

What is open finance?

- 3.3** Open finance is based on the principle that the data supplied by and created on behalf of financial services customers are owned and controlled by those customers. Re-use of these data by other providers takes place in a safe and ethical environment with informed consumer consent.
- 3.4** This would mean that a financial services customer who consents to a TPP accessing their financial data, could be offered tailored products and services as a result. Access would be provided by that customer's current financial services provider under a clear framework of consent.
- 3.5** In most cases this would mean TPPs could access the same information and perform the same functions as those available digitally to the customer, meaning a TPP could do 2 things:
- Collect a customer's financial data to present to them ('read' access).
 - Undertake or initiate transactions on the customer's behalf, for example initiating payments, switching accounts, making an investment, applying for credit) and presenting the data back to customers ('write' access) as well as receiving any necessary permissions.
- 3.6** Our assumption is that access would be provided through APIs. This was not required under PSD2. Instead TPPs could also use a modified customer interface to connect directly to a bank's website with a customer's consent. But, we consider APIs best support innovation by:
- reducing barriers to the market where standard APIs are used (as third parties won't have to integrate on a firm-by-firm basis)
 - enhancing security across the industry

Q3: Do you agree with our definition of open finance?

How open finance can improve markets and UK financial performance

- 3.7** Open finance would facilitate financial management applications that look across all products held by an individual or business. This would give them a holistic view of their financial circumstances. Using aggregated (collected) data to offer advice and services, and execute transactions on behalf of their customers, TPPs can make it easier for their customers to act on this information.
- 3.8** Open finance allows firms to develop services that benefit consumers and businesses, improve competition, financial capability and inclusion. These include:
- **personal financial management dashboards** that enable the customer to understand and optimise their overall financial position (cash flow, savings, investments, spending, goals). These could, for example, help a consumer understand whether to put an additional £100 into a savings account, mortgage overpayment, or pension – and execute that payment on the consumer's behalf
 - **automating switching and renewals** that remove friction and encourage shopping around. This could help consumers get a better deal and increase competition. Access to data could give customers more competitively priced quotations based on the product features they are most interested in
 - **new advice and financial support services** for mass market consumers making financial decisions, making it easier to share comprehensive information with advisors
 - **more accurate creditworthiness assessments** and increasing access to credit by enabling third parties to review cash flow holistically and identify suitable credit products for businesses and consumers, meaning:
 - access to cheaper finance
 - supporting credit options for consumers currently struggling to access credit
 - restricting access to those unable to afford credit finance
 - tailored and more readily available debt advice
- 3.9** In Annex 1 we set out:
- potential open finance use cases by sector, ie services a TPP could offer
 - the potential benefit those use cases could deliver in line with our regulatory objectives
 - the data firms would need to provide access to, for those use cases to be developed
- 3.10** We also think open finance offers potentially significant benefits to financial service providers through increased efficiency, new service offerings and new ways of making decisions.
- 3.11** Open Finance requires a digitalisation of data, giving firms new capabilities in terms of understanding and servicing their customers. It would allow them to offer new products to current customers, and identify new ones. Established firms can offer 'TPP' services themselves. Whether and to what extent they do is likely to have a significant impact on how open finance develops in a particular sector.

Issues to consider

- 3.12** The examples in Annex 1 show how a range of data could be shared by providers as part of open finance. These are summarised below.

Table 2 Data to be shared

Market	Data shared
Savings	• Product information (features, terms including fees or charges) • Balance and transaction information
Mortgages	• Product information (features, terms including fees or charges) • Balance (size of the loan) and property value • Payment history
Consumer Credit	• Product information (features, terms including fees or charges) • Credit amounts, limits and balances • Payment and usage history
Investments	• Product information (features, terms including fees or charges) • Balance and transaction information • Investment history and historical risk exposure
Pensions	• Product information • Fund value and projection • Contribution history • Fees and charges for invested assets • Current contribution rate • Drawdown rate in decumulation
Insurance	• Product information (policy features, terms including fees or charges, exclusions) • Basic customer data (name, address, claims history data) • Additional customer information

- 3.13** The examples in Annex 1 set out a range of improvements that could be delivered or harms reduced through open finance. However, open finance is inevitably not the only (or necessarily the best) way of delivering many of these outcomes. Other actions by firms or policy interventions could potentially address some of the same issues in a simpler way.
- 3.14** For these benefits to materialise, consumers must be willing to use open finance services. We therefore need to consider whether consumers will use the right services once they are offered. For example, will new services benefit all consumers or just those who already take an active interest in their finances?
- 3.15** Many of the opportunities set out above work best when a TPP can look across the full range of financial products available. However, our sector analysis (Annex 1) also suggests there are sector specific benefits that do not require an 'all or nothing' approach to unlocking access to customer data.
- 3.16** Some markets (savings, consumer credit, mortgages) have obvious synergies with open banking. Payment account data are already available, which cover some savings accounts. Extending this to all other savings accounts would be an obvious progression. Transactional payment account data are already being used to assess creditworthiness. Sharing of non-payment account information, mortgage and consumer credit finance data could complement this.

- 3.17** Features of other markets (insurance, pensions, investments) may make open finance more challenging to implement, such as type and range of data that could be shared (for example telematics and exclusion data within insurance).
- 3.18** The work on pensions dashboards is running in parallel with development of the open pensions concept. This means there is an opportunity for dashboards to be a building block on which open pensions delivers extra information and functionality.
- 3.19** We are interested in the views of respondents on whether there is a natural sequence by which open finance would develop.
- Q4:** Do you agree with our assessment of the potential benefits of open finance? Are there others?
- Q5:** What can we do to maximise these benefits (given the considerations set out in paragraphs 3.12 to 3.17)?
- Q6:** Is there a natural sequence by which open finance would or should develop by sector?

4 Risks arising from open finance

- 4.1** A key part of our regulatory strategy toward open finance is understanding what, if any, risks it poses to our objectives of consumer protection, increased competition and market integrity. And the extent to which the current regulatory framework would be sufficient to mitigate them.

Potential risks

- 4.2** As already set out, we consider open finance to have the potential to transform the way financial services work for consumers and business.
- 4.3** We have identified risks open finance could pose below.

Exclusion

Greater sharing of data could lead to:

- customers with certain characteristics being excluded from certain markets.
- exclusion of consumers who opt out of data sharing.
- those consumers getting less advantageous pricing (a so called 'privacy premium').

Misuse of data

- Consumers may provide consent to share their data but not be aware of how their data are ultimately used, leading to use the consumer had not contemplated or intended. This issue is considered further in the context of data rights in Chapter 5.
- There may be increased risks of fraud, if all a consumer's data are available through one single point of entry, or are held by firms with poor system security and governance.
- Out of date, incorrect or incomplete data being shared with a TPP could result in incorrect advice or recommendations, a switch to an inferior product or the wrong price.

Poor consumer outcomes

- Reducing the friction associated with transacting without advice (execution-only) also increases the chances of harm to a consumer where they would have been better to take advice.
- Reducing friction associated with carrying out larger transactions, such as pension consolidation or investment transfers, may lead to harm where advice is not taken.
- Auto-switching could lead to consumers becoming less engaged and, over time, unaware of whether their products are still suitable.
- Auto-switching could lead to consumers becoming focused solely on price over other factors affecting suitability.

Competition

- If certain firms chose not to participate in open finance this could lead to the exclusion of specific products and reduced choice for consumers. This could hurt (rather than enhance) competition.
- Similarly, if providers start to tailor products to match dashboard features this could lead to increased product homogeneity.
- It is also possible TPPs could design their tools to appeal to consumers but oversimplify choice, resulting in providers focusing on price or product features at the expense of others. In this instance consumers may not have all the information needed to make an informed decision.
- If only a few TPPs dominate the open finance market, this could result in weak competition and a lack of innovation, undermining the objectives of open finance.
- The relationships between TPPs and product and service providers is also important to consider. On one hand, TPPs partnering with established firms may bolster competition if it enables new TPPs to enter the market, or for existing TPPs to grow. However, if commercial alliances form with particular providers, or established firms look to set up their own providers, TPPs may be incentivised to only offer, or preferentially list, products and services of those partners.
- Competition risk could arise in how open finance is implemented, particularly if firms do not offer equal access, putting their competitors at a disadvantage.

Operational

- There could be concerns from an operational resilience perspective if firms were required to make significant changes to their IT systems to support open finance. This could result in firms being more susceptible to system outages. This would depend on the changes required.
- The upfront costs of investing in open finance, especially for established firms, could take away from investment in other business areas.

4.4 All the above issues are ones we already face as a regulator. But some we believe could become more acute in an open finance world. We would welcome views from respondents on these risks and others – and what that means for the development of open finance.

Q7: Do you agree with our assessment of the potential risks arising from open finance? Are there others?

The current framework

- 4.5** Open banking is supported by the PSRs (which implemented PSD2). TPPs became regulated under the PSRs. The PSRs introduced new rights and obligations for TPPs, and a framework of liability.
- 4.6** These rights and obligations, and the TPP authorisation regime, only apply to specific TPP services in the payment accounts market. Whether a TPP providing services in, for example, the pensions or consumer credit markets, needs to be regulated will depend on its activity.
- 4.7** One way to illustrate this is to consider a stylised Personal Financial Management (PFM) platform. This PFM undertakes the following functions on behalf of a consumer:

- A. receives granular data from customer's financial services provider/s and displays that information on a personal finances dashboard
- B. makes recommendations on alternative products (eg mortgages, accounts)
- C. undertakes transactions on customer's behalf (eg sweeping balances into a savings account)
- D. switches financial products (eg insurance contract or current account) on customer's behalf

- 4.8** Activity A is currently unlikely to be a regulated activity in any sector other than payments accounts.
- 4.9** Activity B is likely to be regulated in most markets as advice or a personal recommendation. Though advising on an overdraft is likely to be credit brokering, advising on a current account itself is not a regulated activity. However, a firm must always take reasonable care to ensure suitability of its advice for any customer under Principle 9 of our Principles for Businesses.
- 4.10** Activity C will generally be regulated as a payment service where the payment is from a payment account.
- 4.11** Whether activity D is regulated would depend on the market. Applying for a credit agreement such as a credit card may mean that platform is acting as a credit broker. Making arrangements in relation to a regulated mortgage contract would be a regulated activity. In other sectors (investments, pensions, insurance) the platform may be conducting the regulated activities of arranging, dealing, or managing investments.
- 4.12** Under the PSRs, TPPs must be authorised or registered. As a result, they must meet the relevant authorisation conditions and our Principles for Businesses (including taking care to organise and control their affairs responsibly and effectively, with adequate risk management systems). They must meet the conduct of business requirements in the PSRs and our Handbook rules on complaints handling. These firms must also provide information to us when we ask for it, as well as submitting annual reports.
- 4.13** It would be a matter for the Government to decide whether a TPP should be regulated and so subject to our supervisory oversight and meet our standards. If unregulated, a firm may have inadequate systems and security (by our standards), and we may be unable to act where things go wrong.
- 4.14** The protections available to the consumer if things do go wrong will vary according to the activity undertaken by the TPP. This may be confusing to the customer. A platform managing multiple financial products may be under different obligations in respect of different aspects of its business and an appeal to the Financial Ombudsman Service may only cover certain aspects of the overall service.
- 4.15** In addition, under open banking, where a payment is initiated by a TPP, there is a clear framework for liability if something goes wrong. This would not necessarily be the case for other actions a TPP could undertake. If a payment was disputed, a provider may deny liability. If a switch went wrong, it may be unclear which firm is responsible for which aspects of the switch and who is liable for the failure. This is discussed in more detail in Chapter 5.

Q8: Do you consider that the current regulatory framework would be adequate to capture these risks?

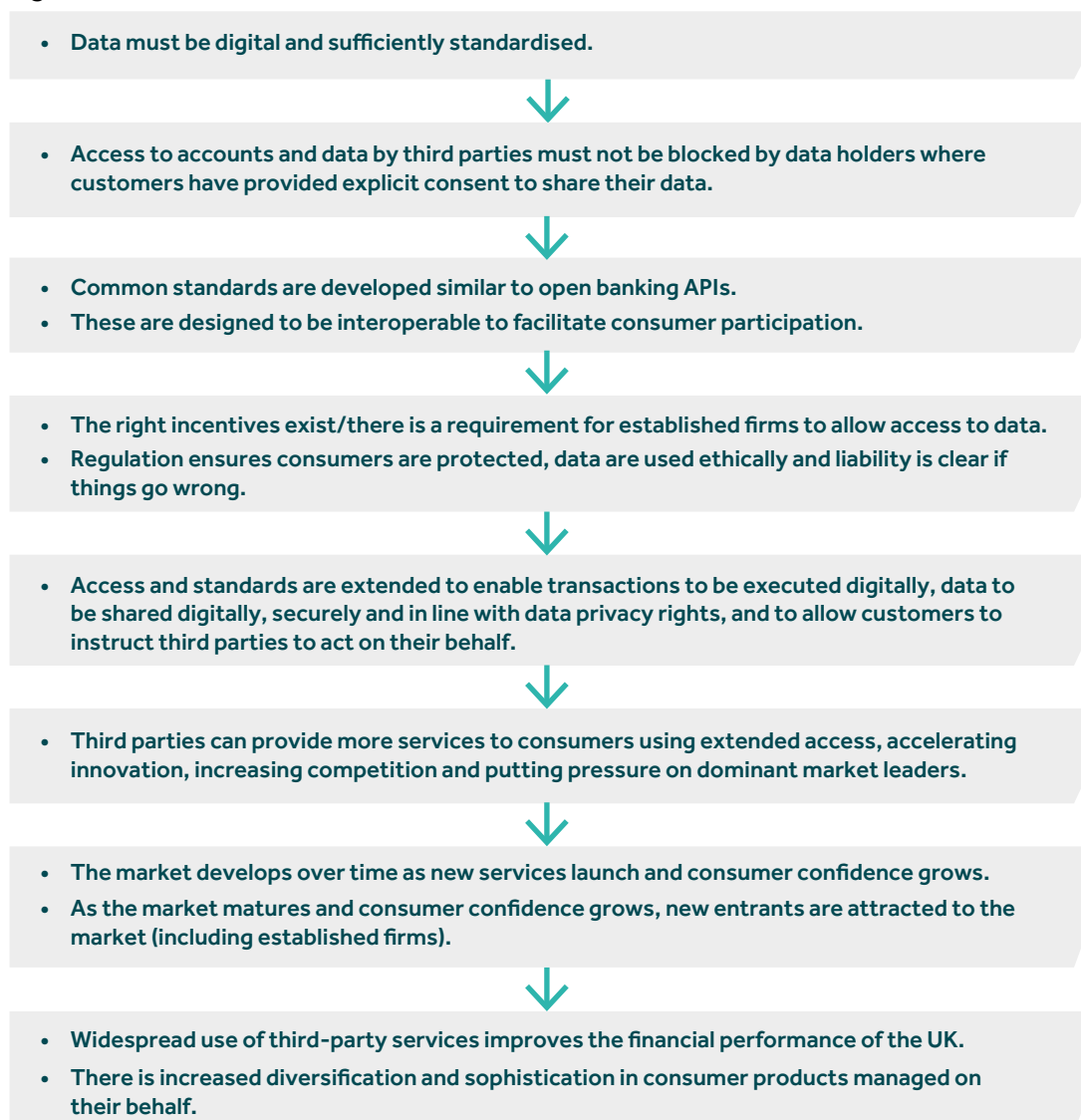
5 Ensuring open finance develops in the interests of consumers

- 5.1** There are differences between the markets we regulate. There is unlikely to be one roadmap towards open finance that is followed at the same speed by all sectors. The incentives for firms to move to open finance and the costs of doing so will also vary.
- 5.2** In this section, we consider whether open finance is likely to materialise without intervention, and what common standards would support its development.

Will open finance develop and in what way?

- 5.3** We think there is a common series of steps that each sector would need to navigate.

Figure 1



- 5.4** These steps have been underlined by our initial stakeholder engagement and by the early discussions of our advisory group. They raise 4 key questions.
- **Incentives** – Will open finance develop without intervention? Crucially, do the incentives exist for established firms to provide access?
 - **Feasibility and cost** – Can all firms develop and offer the access needed to support open finance? What are the costs and barriers involved?
 - **Interoperability and cohesion** – What common standards are required for open finance to develop?
 - **Underpinned by clear data rights** – Is an adequate framework of data rights in place? If not, what would it be, and how would it be provided?

Incentives for open finance to develop

- 5.5** Customer data are controlled by established market leaders that may not have an incentive to offer third parties access to that data – or to do so in a manner that would support open finance.
- 5.6** The right to data portability under the General Data Protection Regulation (GDPR) exists to allow individuals to obtain and reuse their personal data for their own purposes across different services. It applies to data the customer has given to the firm (the data controller).
- 5.7** Under GDPR, when requested, data should be provided in a way that allows the customer to move, copy or transfer their data easily from one digital environment to another in a safe and secure way, without affecting its usability. This should be supplied in a format which is structured, commonly-used and machine-readable. However, while firms must respond to requests for data portability without undue delay, this can take up to one month.
- 5.8** This is not the same as ongoing, real time access as allowed by open banking. There is also no right for a third party to access the data on an individual's behalf. And although GDPR applies to personal data and therefore gives rights to individuals who are sole traders, it would not cover other SMEs.
- 5.9** Figure 1 shows initial steps in developing open finance are for data to be digital, standardised and not blocked by data holders/controllers.
- 5.10** A lack of incentives on firms to share data could therefore prevent open finance from developing.
- 5.11** In some cases, firms may identify the benefits of actively sharing data. We've seen international examples of financial firms sharing data voluntarily with each other without regulatory intervention compelling them to do so. In the UK, we've seen examples of data sharing between financial firms and their selected partners without the imposition of regulatory intervention.
- 5.12** However, there are a range of reasons why firms may not share consumer data with other firms, despite the consent and demand of their customers to do so. These reasons could be commercial. Firms may:

- wish to avoid the set-up or ongoing costs associated with sharing data
- decide the return on investment from sharing data is not sufficient (this may depend on whether a firm could charge for access)
- fear business model disruption or loss of market share. This could be because TPPs are new or existing competitors in a firm's primary market, and or because allowing access to data may risk customers moving to competitors.

5.13 There are other reasons why firms may not allow access to consumer data. For example, firms may be:

- (or assess themselves to be), legally prohibited from sharing data
- uncertain about who they're sharing data with and associated reputational/redress risks
- unable to appropriately coordinate with third parties, for example agreeing upon suitable technical standards

5.14 These barriers could prevent the full range of products envisaged by open finance from being realised. For example, if some firms refuse to share their data (or do so on a restricted or exclusive basis), this could prevent fully holistic services developing. That could then prevent TPPs from offering products allowing consumers to easily compare alternatives or auto-switch to other providers.

5.15 In addition to established firms providing access, TPPs or established firms must be willing to utilise the available data to provide compelling open finance services for open finance to develop.

5.16 The decision for these firms to participate in the open finance ecosystem will necessarily be commercially driven and therefore based on whether they expect consumers to use their services. Consumer participation will in turn depend on whether they will benefit, or think they will benefit, from using the open finance services available to them.

5.17 We are interested in views on the barriers market leaders face in providing access to third parties. These could be legal, operational or financial. Equally, we are also interested in the views of third parties on the barriers they face when requesting data.

5.18 We are also interested in whether respondents consider access will be made available quickly and in a format which can be used by third parties, voluntarily. There have been examples of reciprocal data sharing elsewhere (notably sharing of credit information via credit reference agencies). Or whether rules would be required for firms to provide access.

Q9: What barriers do established firms face in providing access to customer data and what barriers do TPPs face in accessing that data today?

Q10: Do you think the right incentives exist for open finance to develop, or would FCA rules, or any other changes be necessary?

Feasibility and cost

- 5.19** As set out in Figure 1, open finance requires 'data must be digital and sufficiently standardised'. However, not all firms provide digital channels for their own customers. Some sectors continue to rely on paper based methods of authentication to enact transactions – sometimes requiring multiple wet signatures.
- 5.20** As set out in Chapter 2, the development of APIs takes time. Developing APIs can also involve significant cost. The real costs of open banking are unclear. It is difficult to separate money spent to comply with open banking from money spent on IT development that would have been needed anyway. But it is clear they can be considerable, particularly for small firms. APIs are also not the only investment. An open finance environment may also require firms to have new security or legal arrangements.
- 5.21** Two potential factors that could help reduce these costs are:
- the extent to which the work underpinning open banking can be leveraged (as discussed below in Interoperability and cohesion)
 - 'off the shelf' APIs produced by technical service providers
- 5.22** We are interested in the views of respondents on these costs, any or other barriers they may face, and potential market based solutions.
- 5.23** We are interested in the views of respondents on the specific technical barriers to allowing access to customer data and estimates of what it would cost. We are interested in views on the desirability and feasibility of developing APIs.
- 5.24** Where a firm is not willing or able to develop these channels, is it possible they could lose market share? Or is it possible we would see the market fragment, with non-digital firms offering services to particular customer types? We are interested in views on how the market could respond to some but not all firms providing data access.

Q11: Do you have views on the feasibility of different types of firms opening up access to customer data to third parties?

Q12: What costs would be involved in doing so? We are interested in views on the desirability and feasibility of developing APIs?

Q13: Do you have views on how the market may develop if some but not all firms opened up to third party access?

Interoperability and cohesion

- 5.25** As discussed in Chapter 3, we consider the benefits of open finance are maximised where a consumer (and TPPs acting on their behalf) can access information on the broadest range of financial products in the same way and with minimal friction. We refer to this as a system which is interoperable (exchanging information across sectors) and cohesive (as a customer journey).

- 5.26** We consider that a model of open finance that is interoperable and cohesive would maximise competition and efficiency, drive up rates of adoption and inclusion, and minimise friction and confusion for the end customer. It would ensure the whole system is based around the customer and their journey. This also reflects the advice of the cohesion and interoperability sub-group of our advisory group.
- 5.27** Our advisory group also recommended that open finance would require a range of common and agreed standards, including:
- technology architecture (eg open APIs)
 - operating principles, processes and practice
 - security protocols
 - certain areas of user experience design
 - service level agreements for performance
 - liability models
 - dispute resolution
 - consent management and data rights
 - authentication and identity management
- 5.28** We consider that this would require providers to develop common and open standards to facilitate the sharing of a core set of data and enable a core set of transactions. This would need to reflect the data and transactions common across most financial services providers and which are required to facilitate the use cases set out in Annex 1.
- 5.29** Open finance might also require firms to make standardised product information available to consumers and TPPs to facilitate like for like comparison of products. An example would be the level of excess on a car insurance policy or the level of cover agreed. The CMA required the banks caught by the CMA Order to make product data available.
- 5.30** To support open banking the OBIE has developed a model based on common standards in these areas. The OBIE has:
- developed API standards and security protocols
 - developed Customer Experience Guidelines for TPPs. These are minimum standards for certain elements of the customer journey which are key to use, adoption and competition
 - maintained the Directory – a 'whitelist' of participants able to participate in the open banking ecosystem. This is underpinned by the FCA Register, since all TPPs must be FCA regulated
- 5.31** In addition, performance standards are set out in PSD2 and firms are required to report to us regularly on their compliance with these standards.
- 5.32** A digital identity (digital ID) might also assist consumers authenticate with multiple providers. We are seeing advances from both industry and government to create a viable digital ID solution. In the financial services sector this could support customer due diligence and know your customer (KYC) obligations by new providers. There is a consumer consent and authentication model currently used within open banking. This may be a basis on which to develop a digital ID solution for open finance.
- 5.33** We are interested in the views of respondents in whether common standards in the areas set out in this section are needed, and how they should be developed.

- 5.34** The OBIE itself is not able to develop and maintain these standards under its current mandate, governance and funding. And the future of the OBIE is a matter for the Government. We are however interested in the views of respondents on the extent to which the progress made by and the infrastructure of the OBIE should be leveraged to support open finance in other sectors.

Q14: What functions and common standards are needed to support open finance? How should they be delivered?

Q15: What role could BEIS' Smart Data Function best play to ensure interoperability and cohesion?

Q16: To what extent should the standards and infrastructure developed by the OBIE be leveraged to support open finance?

Data rights and protections

- 5.35** Concerns about consent, security, privacy, ethics or redress are all barriers to adoption. And a clear framework is important in protecting consumers and helping minimise the risks set out in Chapter 4.

Liability

- 5.36** As set out in Figure 1, we consider that for open finance to flourish in a way that delivers good outcomes, consumers must be protected and be clear where liability sits if things go wrong.
- 5.37** As set out in Chapter 3, open banking is supported by the PSRs which implement PSD2. TPPs became regulated under the PSRs. The PSRs introduced new rights and obligations for TPPs, and a framework of liability. These rights, obligations and payment services only apply to TPPs accessing payment accounts.
- 5.38** There would not be a common liability framework in open finance without some form of intervention. Any mandatory liability framework would have implications for participants in the open finance ecosystem. However, there are existing examples of voluntary liability schemes. The Contingent Reimbursement Model Code for Authorised Push Payment Scams is a good example. We are interested in the views of respondents on how a liability framework could be delivered.

Data rights and standards

- 5.39** A clear set of data rights would both protect consumers and build trust in open finance. We consider that consistent standards around giving and withdrawing consent are particularly important. Under the PSRs, TPPs can only access, process and retain personal data necessary for the provision of payment services, and with the explicit consent of the user. Explicit consent is also required for data to be shared with a third party (for example a credit reference agency). All personal data processing in the context of the PSRs must also be compliant with GDPR.

- 5.40** In the absence of a legal framework of the sort provided by the PSRs, the GDPR would provide the relevant set of rights in relation to the processing of personal data for consumers in open finance. Firms must always comply with GDPR. However, for the reasons outlined below, it is unlikely to be sufficient as a rights framework for open finance as it was not designed specifically for this purpose.
- As set out above the PSRs rely on explicit consent. Under GDPR, the legal basis for processing personal data can include (but are not limited to) consent provided by the consumer (or explicit consent for special category personal data). Other legal basis include where processing is necessary to fulfil a contractual agreement or for the purposes of the legitimate interests pursued by the controller/third party. This means a TPP would be able (if they met the legal threshold) to process personal data under GDPR in a way that would not be permitted under the PSRs.
 - Under GDPR, data processing (including sharing) does not need to be explicitly requested by the customer, nor does consent automatically expire. Under the PSRs, account providers must require TPPs to re-authenticate with the customer after 90 days. This provides some protection for inactive consumers who may continue to share data but stop using the TPP's product.
 - Some businesses (eg some SMEs) that benefit from protections under the PSRs as open banking customers would not be protected, as GDPR relates specifically to the processing of identifiable personal data.
 - There are also differences in requirements around under what circumstances TPP access (once granted) can be withdrawn. For open banking, PSRs sets out that banks can deny access based on objective and evidenced reasons relating to fraud and unauthorised transactions. Under GDPR, access can be withdrawn if the individual withdraws their consent, or, if another legal basis is being relied on, the threshold is no longer met. For example, if processing is no longer necessary to fulfil the contract.
- 5.41** Another question is the level of transparency needed to ensure consumers can provide informed consent. This is likely to rely upon firms providing sufficient information, and in a clear format, to enable the consumer to both understand how their data will be used and make an informed decision.
- 5.42** A consumer's focus on buying a financial product or service may mean that other factors, such as privacy and security concerns, feature less prominently in their decision making. As a result, it is possible some consumers may not appreciate the full implications of their decision to share their data.
- 5.43** In addition, consumers may benefit from practical tools that stop their data being used, ensure their data are deleted or revoke consent.
- 5.44** The data rights sub-group of our advisory group recommended that consistent and harmonised standards around giving and withdrawing consent would protect consumers and underpin adoption of open finance. And that any framework for open finance should:
- put in place an appropriate regulatory regime which builds consistency between existing legislation (ie the GDPR and PSRs/PSD2) to standardise a consumer's right to be forgotten, redress, access to complaints etc
 - provide a route to complaints; redress and compensation should be easy, accessible, timely, individual and free
 - provide for consent management tools which allow consumers to meaningfully control their data and all parties who may have access to it.

- 5.45** We are interested in the views of respondents on the most appropriate framework of rights for open finance and what role we should play in developing that rights framework.

Data ethics

- 5.46** There are other ethical issues that arise in respect of any increased data sharing, including that envisaged by open finance. Our assumption is that to ensure good outcomes, and to help build trust and participation, the data unlocked by open finance must be used in an ethical manner. Ensuring that consumers and businesses can give informed consent on how their data are used may only partly address potential harm arising from unethical use of data.
- 5.47** Ethical issues can arise in the use of machine learning or artificial intelligence (AI). The data rights sub-group of our advisory group have highlighted that consumers have minimal control over how machine learning and AI is used on their data. There is currently no mechanism to ensure consumers understand exactly how their data will be used in this respect or how value will be extracted from it.
- 5.48** Data sets from the real world may also capture existing biases. Algorithms used on these data may perpetuate the bias if firms use these to make financial decisions. For example, if previous credit applications discriminated against specific consumer segments, algorithms trained on that data could replicate those practices.
- 5.49** Additionally, where non-confidential consumer data sets are combined, it's possible with the use of algorithms to infer sensitive information about consumers. This may not be used in their best interests.
- 5.50** We are working with the Alan Turing Institute on a joint research project to explore the transparency and explainability of AI in financial services. We plan to publish the outcome of this work next year.
- 5.51** We are interested to hear views on the extent to which these examples of ethical issues impact consumers in an open finance world.

Q17: Do you agree that GDPR alone may not provide a sufficient framework for the development of open finance?

Q18: If so, what other rights and protections are needed? Is the open banking framework the right starting point?

Q19: What are the specific ethical issues we need to consider as part of open finance?

6 Our role

- 6.1** Open finance is a strategic priority for us. We are committed to playing our part to ensure it develops in a way that maximises the benefits to consumers.
- 6.2** To generate debate, we have included below, a set of draft principles, reflecting the topics set out in this CfI. These principles are based on our experience with open banking and the discussions of our advisory group.
- 6.3** We envisage that a final set of principles could be developed in partnership with the Government and following consultation with a broad cross-section of industry, and if appropriate recognised by us.
- 6.4** We set out below in Table 3 a set of draft principles. We are interested in stakeholders' views of whether these draft principles could achieve our aim of an effective and interoperable open finance ecosystem.
- 6.5** We are also interested in the views of respondents on the specific role we should play. This can range from some or all the following:
- Developing and agreeing the principles set out below and driving their adoption.
 - Supporting and recognising other relevant industry codes of conduct.
 - Providing an industry forum to help identify opportunities and risks for open finance.
 - Supporting the development of a common API standard.
 - Identify regulatory and commercial barriers to open finance through our cross-cutting policy work. For example, our evaluation of the Retail Distribution Review and the Financial Advice Market Review is exploring how the market can meet consumer needs for advice and wider forms of financial support. This is likely to be of interest to a wide range of firms wishing to provide new forms of support services.
 - Considering our existing regulatory framework and how it currently supports open finance. For example, different sectors have particular rules which will need to be met by all firms which provide financial advice. We would be interested in views as to whether the FCA's regulatory framework might constrain the development of open finance.
 - Making new rules.
- 6.6** We will continue to consider open finance as a potential remedy in other sector-specific work. As described in Chapter 2, through our Innovate project we will continue to encourage and support innovation in the interest of consumers. Our regulatory sandbox, direct support and advice unit services are open to firms that meet our eligibility criteria, including those developing propositions which will leverage open finance.

Table 3

	Draft Principle	Explanation
1	Users right to share their data	Consumers and businesses have a right to control and access the financial data created in respect of them. They should be able to do so (and to grant access to others) in real-time. The data that are created in respect of users will vary by product but may include their personal data, data related to their transactions, their account balance, their claims history or telematics data.
2	User right to instruct a TPP to act on their behalf	Firms should enable TPPs to perform equivalent action to that available to consumers and businesses digitally. For example, to enable movement of money between accounts and altering products.
3	User right to be in control of their data and transact and share data securely	Consumers and businesses must be in control of their data. Consumers should be clear who they are giving consent to for accessing their data and for what purpose. • Data should not be accessed without the explicit consent of the customer. It is the responsibility of the TPP to gain consent. • If data are to be provided to, or processed by, another party this must be made clear to the consumer and included in explicit consent. • Ongoing data protection and permissions should be easy. Consumers should be able to keep track of who they have granted consent/access to at the data source. TPPs must make it easy for consumers to change their mind at any point and use their right to be forgotten. • Consent/access should be actively revisited periodically to check the consumer continues to agree to their data being used. Communication between consumers, firms and TPPs must be secure to protect the consumer. To build trust in the ecosystem, consumers should not be asked to share their credentials with TPPs (for example via redirection), where possible.
4	Cohesion across open finance	Development of API standards is done in a way that promotes interoperability, efficiency and usability for all users. Infrastructure such as API standards, the white list and redirection authentication model developed by the OBIE to fulfil requirements of the CMA Retail Banking Order should be leveraged where appropriate. All participants in the chain including consumers, TPPs and data holders must be able to raise and resolve disputes between all parties. Lines of accountability and liability should be clear and effective in incentivising participants to maintain a secure and trustworthy ecosystem. Where possible there should be a single source of redress.
5	Common provision of a minimum set of standardised data and transactions via open standard APIs	Providers should develop common and open standards to facilitate the sharing of a core set of data and enabling a core set of transactions. • Data and transactions within scope should be developed in consultation with TPPs; reflect data and transactions that are common across most providers of a financial product and are required to facilitate anticipated use cases. • Existence of a common and open standard does not prevent a provider from differentiating themselves by providing access by another means (eg proprietary API), but such access should be provided alongside basic provision via the open standard.

	Draft Principle	Explanation
6	TPP right of access	TPPs have a right to access data and execute actions on the customer's behalf with that customer's explicit consent. • In the absence of a regulatory activity, access must be provided on an objective, non-discriminatory and proportionate basis. For example, via membership of a scheme. • Unless prevented from doing so by regulation, firms or API schemes may offer access on a commercial basis.
7	Accessibility of key product information	Financial services firms should make standardised comparison information available alongside users' financial data. For example, to allow TPPs to compare products and to facilitate guidance or advice.

Q20: Do you have views on whether the draft principles for open finance will achieve our aim of an effective and interoperable ecosystem?

Q21: How should these set of principles be developed? Do you have views on the role the FCA should play?

Q22: Do you have views on whether any elements of the FCA's regulatory framework may constrain the development of open finance? Please provide specific examples.

Annex 1

Open finance Use Cases

Cross-sectoral

Current issues open finance could address	Potential open finance services or use cases
Low consumer engagement: Perceived or actual difficulty in managing different product types, or products held with multiple providers. Low consumer awareness of options: Consumers miss out on better-value or more appropriate products. High cost of servicing customers: Duplication or time-consuming forms and processes add to firm costs, which are passed on to consumers.	Holistic Personal Financial Management (PFM) platforms could display information on a customer's financial products. These PFM platforms could: • Improve customer understanding of / engagement with their financial situation. This could help them save more or better understand their expenditure. • Make recommendations about, or directly switch to, alternative products, and transfer money between accounts. This could make it easier for consumers to get better deals, avoid fees and charges, or 'sweep' money into higher interest-bearing savings accounts. • Help consumers make decisions that better meet their needs, such as how to allocate savings between cash, accessible investments, and pensions. Services that provide overall information about a consumer's financial situation could reduce the time and effort needed for financial advisers to understand a consumer's situation. Services that store relevant consumer information could make it easier for consumers and their advisers to complete forms or make applications by pre-filling boxes (eg for tax forms or mortgage applications). This could both reduce costs of services and reduce barriers to engaging at all.
Access required • <i>Read:</i> Access to information about product features, consumer circumstances, and consumer use of product. • <i>Write:</i> Ability to make transfers, to switch (and open / close) products, make purchases, sales, or redemptions.	

Investments

Current issues open finance could address	Potential open finance services or use cases
Lack of consumer engagement with, and control of, their investments. The ability of firms to offer new support services to consumers making investment decisions at a commercially viable scale. Lack of consumer ability to monitor investments and ensure they continue to meet their needs. Lack of standardisation and consistency when sharing data and executing transactions makes it more complex for consumers managing their investments. Operating costs for investment firms add to the cost of investing.	Tools to: • Help consumers better understand their investments and consider whether they continue to meet their needs by providing up-to-date information on costs, tax treatment, performance, risk, and other factors (eg asset mix, exit fees, etc). • Provide an aggregated view of investments. • Help consumers manage investments (easier buying or selling of investments, or moving investments between products and providers) increasing competition and leading to potential for higher returns and / or lower costs. • Provide better information about or advise on alternative products or tax-advantaged wrappers. • Provide an easier and quicker fact-find to reduce investment advice and investing costs. • Help 'de-mystify' investing. • Facilitate switching through platforms to lower investment costs.
Access required • <i>Read:</i> TPP access to all customer's savings, investments, and debt and related information (eg charges) in a consistent format. • <i>Write:</i> TPP can make transfers between funds/accounts/pots, switch, purchase, or redeem investments, and open accounts.	

Pensions

Current issues open finance could address	Potential open finance ¹ services or use cases
Low consumer engagement due to limited access to data or information on pensions. Lack of standardisation and consistency around information-sharing. Lack of consumer awareness leading to 'lost' pension pots, under-saving, and poor planning. Opportunity for consumers to understand the value of the pensions and estimate income derived to enable better retirement planning.	Better understanding of how savings behaviour can affect retirement income (eg mapping projected potential annuity income against personal expenditure rates) to aid informed decisions about saving levels. Tools to help consumers manage pension investments, increasing competition and leading to potential for higher returns and / or lower costs through: • Provision of better information about alternative products or tax-advantaged wrappers. • Easier buying or selling of investments, or moving investments between products and providers. Easier and quicker fact-find has the potential to reduce costs of receiving advice on investments or costs of investing. Seeing pension pots alongside non-pension savings or assets in one place to ensure consumers can consider together all the assets they can use to fund their retirement. Services offering transfers could make consolidation of pots easier, with the potential to also reduce overall charges. Services offering improved view of overall financial circumstances can improve decisions about <u>types</u> of retirement products (e.g. annuities or drawdown). Services providing easier search and comparison of <u>specific</u> retirement products (e.g. comparing annuities with different characteristics).
Access required: • <i>Read:</i> TPP access to all pension and payment information in one place. • <i>Write:</i> Transfer between pots and enable top-ups via third-party apps (eg banking apps).	

¹ This would build on DWP's dashboard. DWP expects dashboards to present no more information than is already available to consumers on statements issued annually or on request. DWP published its consultation proposals for simpler annual benefit statements for workplace pensions.

Non-investment savings

Current issues open finance could address	Potential open finance services or use cases
Price discrimination leading to poor outcomes for longstanding customers due to: • price obfuscation and product replacement • competitive advantages of larger providers • customer inertia (low levels of switching) • longstanding customers insensitive to price and missing out on competitive rates • low financial capability and resilience (under saving)	Interest/income maximisation and increased financial capability/resilience through: • 'sweeping' of small amounts, eg rounding up transactions from a current account • automated account switching to higher interest rate accounts • access to accounts in one place removing barriers to multi-banking • access to budgeting tools • ability to see all savings and investment products in one place to ensure risk is appropriate to needs (eg not over-saving in low-return cash products)
Access required: • <i>Read:</i> Individual product information – interest rate, term, type of account/tax status, penalties. Balance and transaction information. • <i>Write:</i> Payment initiation (including from non-payment accounts to nominated accounts), sweeping would require variable recurring payments functionality. Enable third party to open account on customer's behalf.	

General Insurance

Current issues open finance could address	Potential open finance services or use cases
It is difficult for consumers to compare products based on factors other than price. Consumers do not have control of their data or understand how products are priced. Some consumers are paying higher prices despite similar risk characteristics (ie loyalty pricing). Complex distribution chains are leading to poor customer journeys and increased costs in some cases.	Like-for-like product comparisons based on features the consumer is most interested in (rather than comparisons based on the features that a price comparison website chooses to show). Aggregation services that allow consumers to see all their policies in one place could: • Make it easier for them to identify whether they are over or under insured. • Allow customers to view value measures on their current policies (which may encourage more engagement). Bespoke deals and products based on a customer's lifestyle and/or financial habits, which are better suited to their needs. Higher consumer understanding of risk profiling that allows customers to know about and therefore demonstrate 'good risk' characteristics (eg by sharing telematics information, or data from other open finance sources). Some 'good risk' customers could benefit from improved sharing of data (although this could also exacerbate the difference between 'good' and 'bad' risk customers in some cases). Services monitoring changes to the consumer's circumstances which could then flag if changes to the policy may be needed (eg if they are likely to become under-insured). Making information more accessible to the customer eg information from the Claims and Underwriting Exchange, so they feel more 'in control'. Pre-population of insurance quotes for application to facilitate streamlined switching. This could extend to consumers being able to share all data held by their current insurer with a number of prospective alternative providers who could then offer better/competitive deals.
Access required: • <i>Read:</i> Simple policy information, claims data, real-time risk information. • <i>Write:</i> Account opening / closing (eg for switching or avoiding over-insurance).	

Consumer Credit

Current issues open finance could address	Potential open finance services or use cases
• Reliance on high-cost credit for vulnerable consumers who need access to credit. • Lack of access to products/ services for consumers with thin credit file. • Lack of access to debt advice for consumers who could benefit from it (due to low awareness, non-digitalised data, etc.). • Greater awareness and ability for consumers to be prompted on important payments or account events to avoid incurring fees and charges.	• Enhanced credit information (through access to non-payment account transactional data) and alternative credit scoring methods (including thin credit file enhancement). • Identifying alternatives to high-cost credit. • Increased efficiencies in creditworthiness/affordability/eligibility checks. • Personal Financial Management dashboards facilitating access to financial advice and debt advice through efficiencies in fact find/completion of common financial statement/budgeting support. • Enabling transaction-level underwriting, ie on-demand loans for specific transactions.

Access required:

- *Read:* Access to consumer's financial balances / transaction data and other income, product data and usage history, consumer information.
- *Write:* Make payment or move balances, switch product, request credit limit changes.

Mortgages

Current issues open finance could address	Potential open finance services or use cases
• Consumers who don't switch pay more (leading to loyalty penalty and reduced competition). • Customers find it hard to find the cheapest, suitable mortgage. • Some consumers who may be 'good risks' struggle to evidence this.	• Enhanced credit information (through access to current account transactional and savings data) and alternative credit scoring methods (including thin credit file enhancement). • Personal financial management dashboards making it easier for consumers to access financial advice and debt advice through efficiencies in fact find/completion of common financial statement/budgeting support. • Efficiencies in searching and application process. • Automatic assessment of eligibility (bolstered further by related innovations we have called for in the Mortgages Market Study).

Access required:

- *Read:* Mortgage product and payment history data, data on payment / current / savings accounts and other income.
- *Write:* Change payment, request payment holiday, alter or switch product.

Annex 2

List of Questions

- Q1:** What action can we take to help ensure the potential of open banking is maximised, for instance to support the development of new open banking services?
- Q2:** We are interested in your views on what open banking teaches us about the potential development of open finance.
- Q3:** Do you agree with our definition of open finance?
- Q4:** Do you agree with our assessment of the potential benefits of open finance? Are there others?
- Q5:** What can we do to maximise these benefits (given the considerations set out in paragraphs 3.12 to 3.17)?
- Q6:** Is there a natural sequence by which open finance would or should develop by sector?
- Q7:** Do you agree with our assessment of the potential risks arising from open finance? Are there others?
- Q8:** Do you consider that the current regulatory framework would be adequate to capture these risks?
- Q9:** What barriers do established firms face in providing access to customer data and what barriers do TPPs face in accessing that data today?
- Q10:** Do you think the right incentives exist for open finance to develop, or would FCA rules, or any other changes be necessary?
- Q11:** Do you have views on the feasibility of different types of firms opening up access to customer data to third parties?
- Q12:** What costs would be involved in doing so? We are interested in views on the desirability and feasibility of developing APIs?
- Q13:** Do you have views on how the market may develop if some but not all firms opened up to third party access?
- Q14:** What functions and common standards are needed to support open finance? How should they be delivered?

- Q15:** What role could BEIS' Smart Data Function best play to ensure interoperability and cohesion?
- Q16:** To what extent should the standards and infrastructure developed by the OBIE be leveraged to support open finance?
- Q17:** Do you agree that GDPR alone may not provide a sufficient framework for the development of open finance?
- Q18:** If so, what other rights and protections are needed? Is the open banking framework the right starting point?
- Q19:** What are the specific ethical issues we need to consider as part of open finance?
- Q20:** Do you have views on whether the draft principles for open finance will achieve our aim of an effective and interoperable ecosystem?
- Q21:** How should these set of principles be developed? Do you have views on the role the FCA should play?
- Q22:** Do you have views on whether any elements of the FCA's regulatory framework may constrain the development of open finance? Please provide specific examples.

Annex 3

Abbreviations used in this paper

AIS	Account Information Services
API	Application Programming Interface
BEIS	The Department for Business, Energy and Industrial Strategy
CBPII	Card Based Payment Instrument Issuer
CDR	Consumer Data Right
CMA	Competition and Markets Authority
DCMS	The Department for Digital, Culture, Media & Sport
DWP	The Department for Work and Pensions
FCA	Financial Conduct Authority
GDPR	General Data Protection Regulation
GDS	The Government Digital Service
IDG	Industry Delivery Group
MaPS	The Money and Pensions Service
OBIE	Open Banking Implementation Entity
PIS	Payment Initiation Service
PFM	Personal Financial Management
PSD2	The revised Payment Services Directive
PSP	Payment Service Provider
PSR	Payment Services Regulation
SDF	Smart Data Function
SME	Small to medium sized enterprise
TISA	The Investing and Saving Alliance
TPP	Third party provider

We have developed this work in the context of the existing UK and EU regulatory framework. The Government has made clear that it will continue to implement and apply EU law until the UK has left the EU. We will keep the proposals under review to assess whether any amendments may be required in the event of changes in the UK regulatory framework in the future.

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