

# UK Open Banking

## Current status & lessons learned

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Mexico City



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# The Open Data Institute

we **connect**, **equip** and  
**inspire** people around  
the world to **innovate**  
with **data**



Sir Nigel Shadbolt, Chairman

Neelie Kroes, ODI Board



Martha Lane-Fox, ODI Board

Sir Tim Berners-Lee, President

# The Open Data Institute – what we do

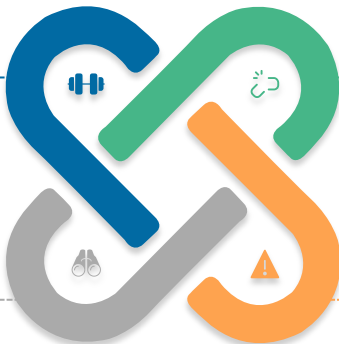


## CONSULTANCY

The ODI delivers consultancy - policy, strategy, technical, implementation - to organisations in public & private sector, in the UK and overseas

## START-UPS

Start-up incubation and acceleration has been a significant feature of the ODI since its inception - programmes running in the UK, Mexico, Malaysia



## TRAINING

The ODI has an extensive blended learning programme providing a rich curriculum of in-person courses and e-learning modules.

## PARTNERSHIPS

A number of commercial organisations chose to partner with the ODI. We are also a membership organisations with c.3,000 corporate and individual members

# The inevitability of 'open' – our sector programmes



Sharing and collaboration are increasingly the means by which we solve problems



## RETAIL BANKING

Initial consultancy & reports for HMT and CMA leading to Open Banking. International consultancy in NZ, Aus, USA, Canada & Mexico



## PHYSICAL ACTIVITY

Leadership of a major programme for Sport England *"To reduce inactivity in England, by making data about physical activity opportunities more openly available"*



## WATER INDUSTRY

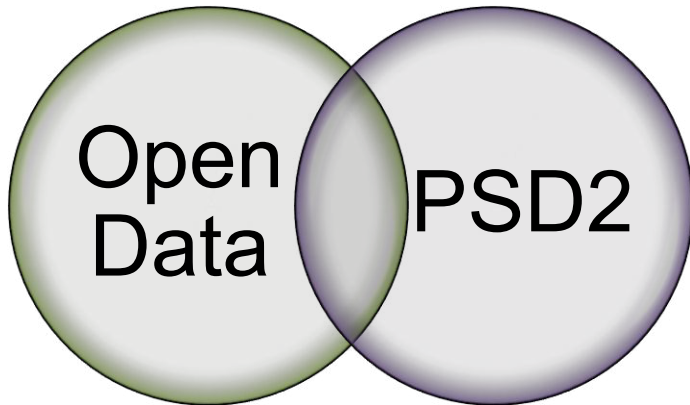
A joint ODI / OFWAT initiative to convene the water sector to work together to solve data-oriented challenges



## PHARMA

A cross-pharma project jointly led by the ODI and Wellcome Trust to openly publish antibiotic resistance surveillance data

# What is “Open Banking”?



## What is “Open Banking”?

- Open Banking is the banking industry’s response to the UK’s Government’s request for fairer, more transparent banking and financial services.
- It describes a secure set of rules, technologies and standards that allow customers to give **companies other than their bank** the **permission to securely access their accounts**.

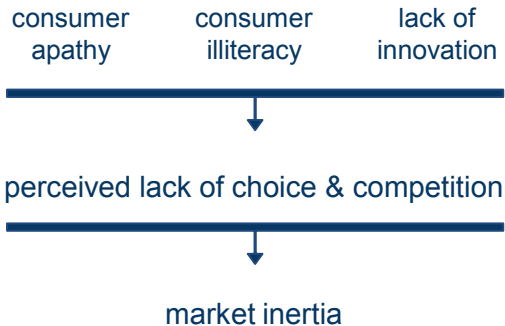
# UK Open Banking Timetable



CMA investigation	Spring 2014
HM Treasury report published (API's & Open Banking)	Autumn 2014
HM Treasury consultation on Open Data & Data Sharing (API's)	February 2015
<b>CMA report published</b>	<b>August 2016</b>
Steering group / trustee / advisory group	October 2016
<b>1st deliverable: location and product data (Open Data)</b>	<b>March 2017</b>
<b>2nd deliverable: Read/Write API's (PSD2 alignment)</b>	<b>January 13<sup>th</sup> 2018</b>



# Background

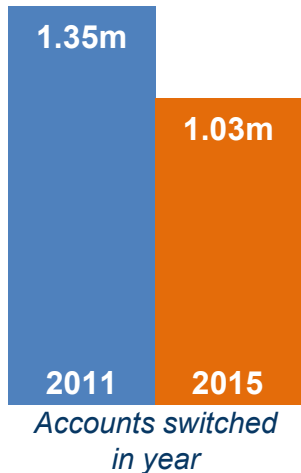


# Making banks work harder for customers

(CMA report: August 2016)

*..we have found that many problems remain. Essentially, the older and larger banks, which still account for the large majority of the retail banking market, **do not have to work hard enough to win and retain customers** and it is difficult for new and smaller providers to attract customers. This means that the sector is **still not as competitive as it needs to be.***

## Current account switching



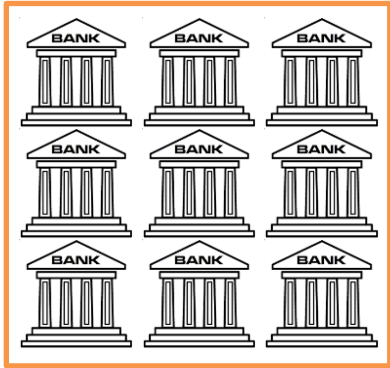
The CMA found that:

**57%** of consumers have been with their account provider for more than **10 years**

and **37%** of consumers have been with their account provider for more than **20 years**



# CMA remedy scope is limited



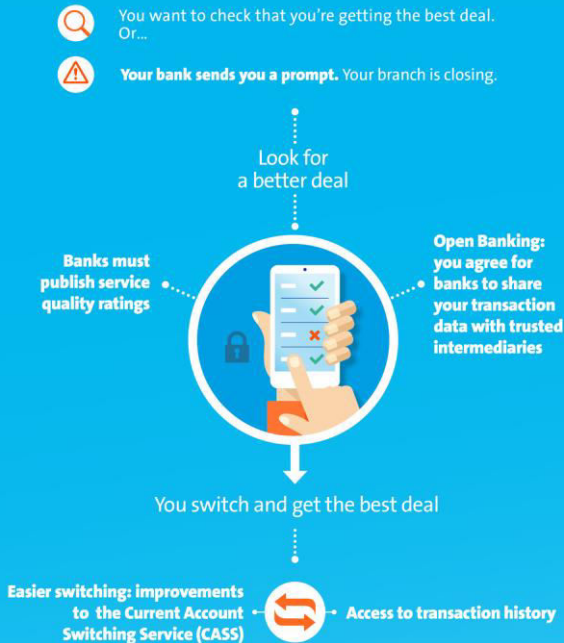
Current accounts



## CMA Package of Remedies

- Open API standard
- Service quality indicators
- Product renewal prompts
- Transaction history post a/c closure
- Unarranged overdraft alerts
- SME comparison service challenge

# How the CMA remedy package will help consumers



How the CMA originally thought their remedy package will help consumers  
*(hint: it's all about switching current accounts!)*



You want to check that you're getting the best deal.  
Or...



**Your bank sends you a prompt.** Your branch is closing.

Look for a better deal

Banks must publish service quality ratings



**Open Banking:** you agree for banks to share your transaction data with trusted intermediaries

You switch and get the best deal

Easier switching: improvements to the Current Account Switching Service (CASS)



Access to transaction history

## The real 'Open Banking' use cases

- Personal finance dashboards / account aggregation
- Comparison sites for current accounts
- More accurate credit referencing decisions
- More accurate and speedier loan / mortgage decisions
- Better decisions and pricing for insurance companies
- ....*and maybe current account switching!*



## The tricky issue of consent

- January 2018 deliverable aligns Open Banking (UK mandate) with PSD2 (European Union)
- Authorised 3<sup>rd</sup> parties (TPP's) can be given consent by the account holder to access their bank accounts to extract statement information and to initiate payments, without having to use the banks online services (PSD2)
- Read/Write API specifications will enable banks to develop API endpoints to an agreed standard so that fintechs can develop web and mobile applications for personal and business banking customers



## The tricky issue of consent

- Use of the Open Banking Read/Write API specifications is limited by approval.
- This approval is managed by the UK banking regulator – FCA (Financial Conduct Authority)
- Approved organisations will then enroll with Open Banking to use the Open Banking Directory (white list of digital identities and certificates which enable organisations to securely connect and communicate securely)



## Hitting (and missing) deadlines

- Conclusion of CMA Mandates: January 13<sup>th</sup> 2018

### **HIT**

Allied Irish  
Danske  
Lloyds

### **NEAR** (6 weeks)

Barclays  
Bank of Ireland  
RBS  
HSBC  
Nationwide

### **MISS**

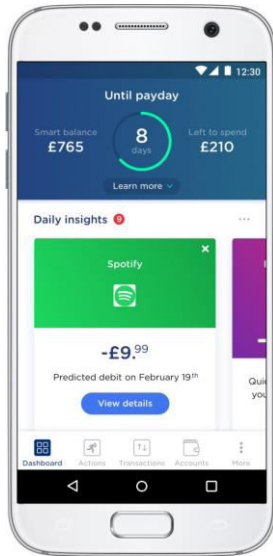
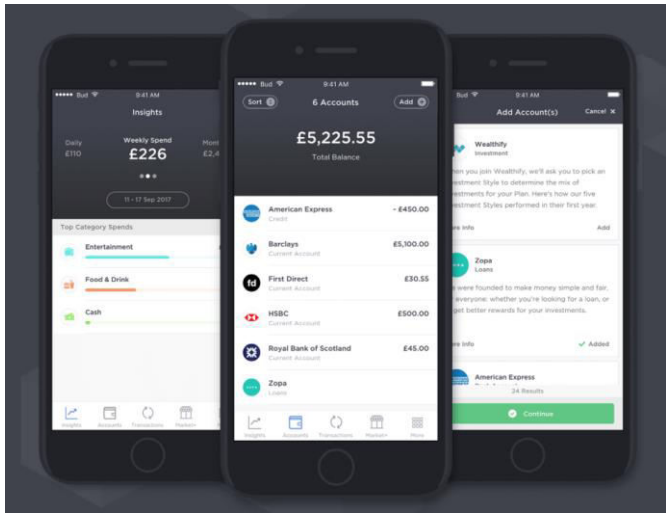
Santander (Cater  
Allen Bank)

# The future for open banking?

- What do customers need banks to do for them?
- The function of a “traditional” bank
- Build or collaborate?
- Hiring policies
- Role of fintech within banks
- A new competitive landscape



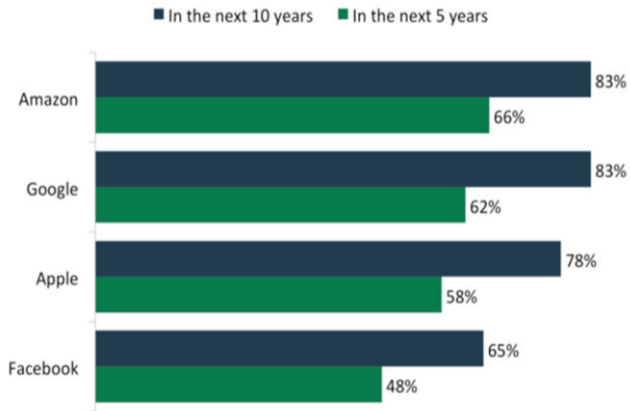
# What does 'Open Banking' look like?



GAFA: The 'real' threat to the banks??



# When will GAFA achieve mainstream banking?



Do they even want to achieve “mainstream” banking?

## Some considerations for you

1. Why are you considering Open Banking?
  - What are the beneficial use cases?
  - What's the problem you hope to solve?
  - Tech (API's) is just an enabler
2. What about the financially excluded?
3. What about the digitally excluded?
4. Governance: regulator / industry body?



# Mexico

Financial inclusion – people want financial services (pay people etc..) rather than a bank account. Includes financial literacy. Getting fintechs to collaborate will accelerate inclusion?  
Mobile phone networks important – relationship between carriers and banks?

60% don't have a bank account

Fraud / identity is a massive problem – difficult to know who a customer is (many have multiple national unique ID)

UK questions:

timeline

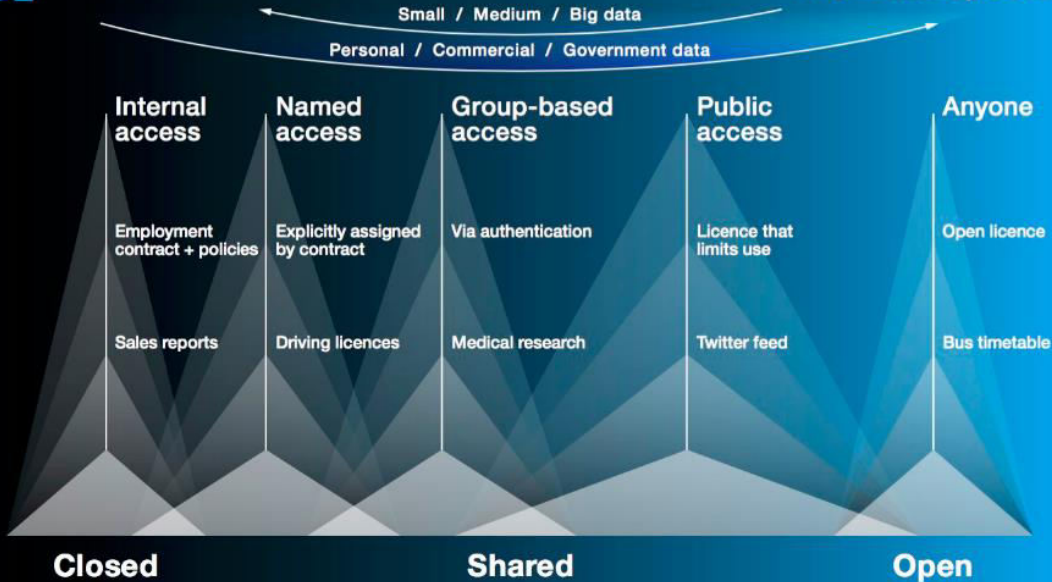
case studies (what does OB look like?)

Why? Why only current a/c's? Why just the CMA9?



# Thank you

theodi.org  
@ODIHQ



## UK Open Banking: current situation



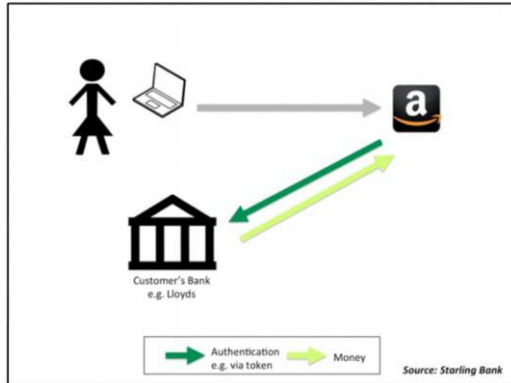
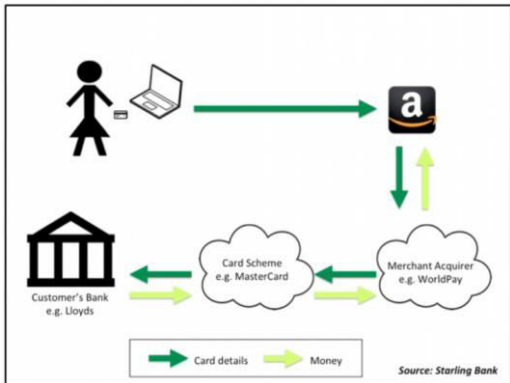
1. Steering Group established– 20 members  
*x9 major banks, x5 advisory group convenors, x2 consumer reps, x4 regulatory observers (FCA, PSR, HMT, ICO)*
2. Trustee appointed
3. 5 advisory groups set up  
*(FinTechs, payment service providers, third parties, challenger banks and parties concerned with the implementation of PSD2)*

## Current 'hot' issues

1. Overlap between Open Banking and PSD2
2. Embracing or compliance?
3. Accreditation / identity of entities
4. Consumer literacy
5. Mixed messages re: personal security



# PSD2 overview



## Current issues

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## “Inconvenient access”

**Banks are scared, and will block any technology challenger, says Chris Skinner. Don't expect incumbents to provide open banking services any time soon.**

Banks are scared. They've seen the rise of the new world of open APIs, apps and analytics and know that their organisations are **not yet ready or fit to change to that world**. What to do? Well, the easiest thing to do is block access to the bank's data. If third party fintech firms cannot get access to the customer's financial data, you can severely limit what they can do. Brilliant ... and it's just what banks are doing.

In the US, there's a move by the big banks to get Washington to outlaw access to bank data based on security. *The only person who should access bank data is*



Fintech

# UK banks fund £5m fintech prize to build apps for small businesses

The innovation foundation's Open Up Challenge is designed to encourage fintechs to use Open Banking APIs for small businesses



## RBS planning £750m fintech fund to boost banking competition

21 Feb 17 | Author [Alara Basul](#) | [Headline News](#) [More News](#) [Partnerships](#) [Banking](#)

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The UK Government has proposed a new plan that would see RBS fund and deliver a series of initiatives to boost competition in UK's business banking market.



The proposal was put forward by HM Treasury in agreement with RBS, which is assigned to help small and medium businesses and enterprises benefit from greater choice in the banking systems that are currently available.

According to the [UK Government](#), the proposed package includes:

- A fund, administered by an independent body, that eligible challenger banks can access to increase their business banking capabilities
- Funding for eligible challenger banks to help them incentivise SMEs to switch their accounts from RBS paid in the form of "dowries" to challenger banks to use to incentivise switching
- RBS granting business customers of eligible challenger banks access to its branch network for cash and cheque handling, to support the measures above
- An independent fund to invest in fintech to support the business banking of the future

The estimated upfront cost is expected to be around £750m, and other large incumbent banks such as HSBC and Barclays are said not to be eligible to benefit from the proposal.



## Current issues

1. Overlap between Open Banking and PSD2
2. Embracing or compliance?
3. Accreditation / identity of entities
4. Consumer literacy
5. Mixed messages re: personal security

Can consumers be sure where their money is going?



## Current issues

1. Overlap between Open Banking and PSD2
2. Embracing or compliance?
3. Accreditation / identity of entities
4. **Consumer literacy**
5. Mixed messages re: personal security

# Mr Angry



6th February 2017

To: Open Data Institute, 3rd Floor, 65, Clifton Street, London, EC2A 4JE.

Dear Sir / Madam,

I have only very recently become aware of the Open Banking Standard via a BBC programme broadcast this year. I have gone through the twelve page Open Banking Standard report, and I am most alarmed at the prospect of personal banking data, such as financial transactions listed on bank statements, being accessible to third parties via open or shared API's, essentially for marketing purposes / targeting customers. *Some such transactions can contain either the first line of a customers address, or postcode or other personal data such as a National Insurance or Employee Id number, which could easily lead to the identification of a living individual against their will.* This could significantly increase the risk of fraudsters / hackers accessing private bank account data.

Banking API's aren't about tech or banking



## Current issues

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## Mixed messages re: personal security



**Bank employees will never ask for  
your Password/ PIN/ OTP/ CVV/  
Card Number**

**Sharing your details can lead to transfer  
of money from your account.**