

Open Banking Data Sprint 1:

Session Attendees and Discussion Summary

Attendees

Payments Expert Panel Members & Observers	Organisation
Adam Khalifa	Google
Adam Prince	Sage
Albert Cabré Juan	Monzo
Alice Mackay	PSR
Archi Shrimpton	LBG
Bee Thakur	Truelayer
Ben Sheedy	Smarter Contracts
Brian Hanrahan	EML Payments
Chris Jones	Nationwide
Ciaran Gill	PSR
Conor Darcy	Money and Mental Health Policy Institute
Dan Scholey	Moneyhub
E Whitley	LSE
Gary Aydon	Santander
Gerald Chappell	Fintern
Glen Keller	CRIF
Helene Oger-Zaher	FCA
Jan van Vonno	Tink
Jeroen De Marteau	PSR
Jonathan Turner	Fair4All Finance
Kat Cloud	Plaid
Kiran Rajulupati	Yapily
Lisa Pearlman	Apple
Louise Beaumont	Mastercard
Marita Holland	TISA
Michael Forrest	Barclays
Michael Green	Xero
Paul Kerridge	Snoop
Paul Mortby	Block
Polly Tolley	Citizens Advice Scotland
Rachel Warhurst	HSBC
Rob Burlison	Intuit
Rob Haslingden	Experian
Stephen Wright	NatWest
Teresa Lam	FCA
Will Bolton	Account Technologies

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

Introduction

This note is a summary of the Data Expert Group Sprint 1 discussion session which took place over Microsoft Teams on 30 September 2022.

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

Initial Discussion

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

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

The Secretariat gave an overview of the 9 high-level gaps identified from a review of the written evidence supplied by participants. The discussion of these 9 high-level gaps were clustered into three themes for discussion – “Better Protect Customers” (Gaps 1 – 3), “Better Serve Customers” (Gaps 4 – 6) and ecosystem capabilities to “Enable and Support” further data sharing (Gaps 7 – 9).

Gap 1: Risk Scoring Data Sharing

- The Secretariat gave an overview of the evidence provided by participants, focusing on the role that enhanced data sharing could play in helping to provide a more reliable open banking payment experience, with better ability to accurately identify fraud.
- There were differing perspectives on whether fraud and risk on open banking payments were a significant issue or not:
 - Some TPPs in the session challenged whether additional activity was required given the low levels of fraud and risk created by open banking payments today. Every transaction has SCA applied and is therefore inherently low risk.
 - Representatives of some Large Retail Banks countered this view, with one firm citing that fraud rates were 5 to 10 times higher than those on their direct digital banking channel. A Large Retail Bank cited that lack of visibility of the actors involved in a transaction did present an issue in accurately identifying potential fraud.
 - One Large Retail Bank referenced that currently the largest use cases for open banking, are paying tax bills, paying credit card bills, or topping up a secondary account, which overall are not big drivers of fraud, but that it is important to consider data sharing opportunities in the context of new emerging use cases that will evolve.

- Several participants called for impartial, whole of market data on fraud levels given the conflicting perspectives presented in the meeting including the type and volume of fraud being reported.
- One Large Retail Bank acknowledged that as soon as gaps are identified in the process, fraudsters look to exploit known vulnerabilities and that there should be consistency on checks and requirements across all parties within the data chain.
- A TPP called for a two-way data sharing ecosystem to address the issues, both data to be shared from ASPSP to PISP, as well as data from PISP to ASPSP, as fraud is damaging for all parties in the ecosystem.
- Pay.UK and UK Finance's Enhanced Fraud Data solution was referenced as an initiative that is already in development between banks to exchange information to ensure as much data is known as possible about the transaction.
- The role of Confirmation of Payee (CoP) was an important topic for one TPP, who was concerned about the additional friction such calls could bring and made a case that TPPs should be responsible for undertaking COP checks.
- One Large Retail Bank noted that the overhead of sharing prescriptive data was very high, although acknowledged the benefits of being more open and collaborative.

Gap 2: Fraud Protection on Interbank Payments

- The Secretariat gave an overview of the evidence provided by participants, setting out the opportunity to use an API-based solution to help identify fraud in interbank payments.
- A TPP sought clarity on the nature of the opportunity – that this opportunity was for data sharing between sending and receiving bank. A Large Retail Bank confirmed this.
- A TPP highlighted the need for clarity on outcome, so that customers were clear what was happening if their transaction was delayed or stopped, a topic discussed in Payments Sprint.
- A Large Retail Bank clarified that additional data may result in less transactions being declined or investigated in some cases (i.e., reducing false positives). It was noted that this could have the effect of improving PIS conversion rates.
- A TPP suggested that it may be worth exploring whether AIS data could also help identify potential fraud.

Gap 3: Accurately identifying participants

- The Secretariat presented an overview of the issues relating to software statements and the potential for alternative models for identifying actors involved in data sharing.
- A Large Retail Bank stated that it was important to know the parties in the data sharing chain and referred to a recent incident where it was not easy to identify the participant.
- This Large Retail Bank suggested that although creating software statements was not a large or onerous task, they considered that a new model should be considered.
- A TPP view was that the details of the parties could be shared in the consent messages rather than using software statements. One Large Retail Bank suggested this should be investigated, as some of the information could be shared in the flow of the API rather than relying on an immutable software statement.
- Other TPPs highlighted that there has been endemic confusion about the use of 'on behalf of' fields, particularly with consumers, as they are often not or incorrectly used, and many are unfamiliar with the concept or parties involved in the transactions data flow.

Gap 4: Sharing of Identity Attributes

- The Secretariat presented an overview of the issues relating to the sharing of identity or identity attributes to support new use cases and models. It was noted that there was a broad support for the sharing of additional attributes and how it could be used to enhance KYC processes and reduce friction in payments.
- An Independent Expert highlighted the importance of accuracy of attributes and the need to be able to demonstrate that accuracy within meta data to reassure relying parties when it is shared.
- A TPP suggested that sharing attributes is already supported by the open banking standard, but that this is only useful if provision is across the whole market. A multilateral framework was suggested as a possible way to drive that ubiquity and coverage.
- One TPP highlighted the differences between SME and Consumer, where business name on account is often truncated and therefore it can be more difficult to identify the true name of the customer. They suggested that being able to see an 'SME identified' attribute would be beneficial.
- A Large Retail Bank suggested that open banking should wait for the live market to evolve under the DCMS Trust Framework initiative and that open banking should but not yet actively move into this space. A TPP and platform supported that suggestion.
- However, another Large Retail Bank countered this view and suggested there is a good opportunity for an expansion of open banking into this area, but it needs a commercial framework which would also clarify liabilities, to be able to drive it forward.

Gap 5: Vulnerable consumers and widening access

- The Secretariat gave an overview of the evidence provided on how new use cases could benefit vulnerable consumers and widen access to financial services.
- The subject of gambling blocks was extensively discussed:
 - A TPP suggested that gambling blocks would work when a customer uses an open banking payment.
 - A Large Retail Bank countered that would only work if context information on payments is fully completed to allow ASPSPs to effectively block gambling transactions.
 - A TPP suggested that gambling blocks could potentially be passed to other banks for awareness, although an independent expert expressed concern from a data privacy perspective.
- On a related topic, a TPP suggested that gambling affordability checks through open banking presented a new opportunity to help vulnerable customers.
- A TPP highlighted that in some cases TPPs have a broader understanding of the financial situation of consumers than ASPSPs – particularly if they are offering an aggregation solution and can see a wider view of their financial holdings. This suggests that, with consent, there may be potential to share some of these insights more broadly.
- A TPP highlighted the importance of ESG, with a more holistic view of carbon footprint, although noted that this would require broadening of data sharing beyond financial services
- An Independent Expert encouraged work to be undertaken with vulnerable consumers, rather than making assumptions about their needs. It was also important to remember that vulnerability is a broad term and can encompass many scenarios, and that many people will pass through vulnerable phases during their life. A final point raised related to the financial viability of services supporting vulnerable customers. The business case for such services may be challenging and it was noted that some services have left the market.

- A Large Retail Bank shared evidence that many vulnerable consumers are not digitally active or are sceptical about using those channels and that we must consider ways to address this.
- A Platform suggested looking at the work being undertaken in the CBDC space as they have done work on opportunities for vulnerable consumers.
- A TPP suggested we separate thinking between financial and non-financial vulnerability. In their opinion, the role of open banking in supporting non-financial vulnerability is limited.

Gap 6: Broadening Scope of Data Sharing

- Secretariat provided a summary of the evidence supplied and the contrasting views provided.
- A TPP explained that the PSD2 perimeter, and the inconsistent interpretations of what constitutes a payment account, creates confusion for customers. Some assume that this is the fault of the TPP, particularly when some savings accounts' data are shared, whilst others are not.
- A TPP suggested that we should be focused on customers and understanding their whole financial picture through the consented gathering of data from multiple sources to secure insight.
- A TPP and Large Retail Bank felt that this should be demand driven, not pushed into the market through regulation. In their view, cost and revenue drivers create better outcomes than mandating sharing through regulation, providing the trust framework works and is extensible to new data types.
- Another TPP countered this view by quoting their experience of the delays in setting up contracts with banks when moving beyond a regulatory mandate. A platform underlined this challenge and suggested that a network of bilateral agreements would not be viable for smaller firms in having to deal with multiple arrangements, something which could lead to the stifling of innovation.
- Another TPP stated that Open Finance was "inevitable" but needed a focus on transparency and control – this is already an issue with open banking and would require additional work as the ecosystem expands.
- A Large Retail Bank suggested that mirroring the structure of open banking in open finance could create significant barriers to entry as it will require a lot of insurers, pension providers and others (many of whom are very small) to become regulated as "ASPSPs".
- A TPP cautioned against duplicating work that is already underway, e.g., the Pensions Dashboard, and suggested that we need to accept that full alignment between different open finance initiatives will probably not be possible.

Gap 7: Robustness of Current Foundations

- The Secretariat provided a summary of evidence supplied and the contrasting views presented on whether the current foundations are deemed robust enough to build a wider data sharing ecosystem.
- A Large Retail Bank suggested that the foundations of open banking were strong, robust, and appropriate for expansion. It was also suggested that there are significant benefits for consistency, so future plans should build on what has been created to date.
- There were counter views however suggesting that the existing Trust and Security model was not fit for purpose and needed a fundamental review before being expanded to encompass open finance.
- A TPP suggested that we should focus on market demands and then develop the right solution to address that demand. The danger of delivering functionality without demand was underlined by a Large Retail Bank.

Gap 8: Further Standards and Guidance

- The Secretariat provided a summary of evidence supplied and the contrasting views presented on whether further standards and guidance are required.
- A TPP clarified that the PSRs are clear that the TPP is responsible for managing consents and that this principle should be extended into any future open finance framework.
- Another TPP agreed that the responsibility lies with the TPP but suggested that there is still scope for additional guidance to drive clarity and transparency. As data sharing expands into Open Finance, the issues will become exacerbated, as there would be no single source for customers to identify which parties have sight of their data.
- A TPP expressed concern about the UK diverging from the rest of Europe in terms of data protection approaches. This TPP was also concerned that the narrowness of PSD2 consent could limit innovation.
- A Large Retail Bank suggested that moving forward we need to move beyond the split between CMA9 and non CMA9 and consider issues from a whole of market perspective.

Gap 9: Multilateral Contracts

- The Secretariat set out some of the questions prompted by submissions related to when and where multilateral agreements could be used.
- A Large Retail Bank suggested that a regulatory mandate is inevitably inefficient as it is top down determined and certain functions will end up being built that are not used, citing examples to enforce that argument. This was supported by two further Large Retail Banks. Repeating this regulatory-led, top-down model would be costly, inefficient and will divert investment away from other important initiatives. Another Large Retail Bank argued that this point should not be overstated, as it is inevitable that some APIs are used, and some are not. It was also suggested that commercial incentives for ASPSPs would be necessary to drive improvements.
- A TPP said that it is hard to know what functionality is available (particularly when it is inconsistently applied between banks), and it incurs cost and increases customer service issues when things are inconsistent. Lack of consistency will significantly hold the market back.
- An Independent Expert highlighted that we must consider all players, small and large, and ensuring access. We need to consider the needs of smaller players with small IT budgets, who are heavy users of open banking and must ensure they don't get marginalised, particularly if commercially prohibitive fees are introduced.
- 2 TPPs suggested that multilateral contracts need clear oversight and management, or else they will split into a series of bilateral contracts which could fragment the market quite considerably. Evidence was provided from a TPP operating in the US, where bilateral contracts take a great deal of time to negotiate and act as a barrier to market development. It was also noted that several different multilateral arrangements could also lead to fragmentation.
- A TPP highlighted that in their experience the lack of multilateral agreements is holding back innovation.

Other Comments

- No additional comments were raised by the group.

Closing Comments

The Chair closed the meeting and thanked the participants for their contributions and advised that the summary from the meeting would be made available in due course and that distribution of those materials would be via the [SWG website](#).