Date: 2016-04-22
Status: Open short proposal - OPEN TO COMMENTS
Ref: OBS2

Open Banking Standard

Building on the Open Banking Working Group report (initiated by HMT), we are writing to propose your organisation commits to a UK Open Banking Standard that will enable value-added services to be built upon robust and complete foundations, and help the UK create a world-class banking ecosystem.

The report is a comprehensive document with use cases, proposed standards, and ideas about regulation. The recommendation from the report is that in order for the UK financial sector to achieve the government's goal of being a centre of excellence for FinTech, we must have an open banking standard with cross-industry regulation & governance.

Why an Open Banking Standard?

We believe there is a huge opportunity to accelerate UK banking and FinTech. We also believe that to create and maintain a leadership position, we need to join up regulation, legal, data literacy, technical development, industry and public communication, Startup incubation and stakeholders. It must be noted that this is not a 'technology' project, but rather one that will help to transform banking as a whole.

There are three models for implementing solutions that meet regulatory requirements: total in-house development, commercial outsourcing, or open standard co-creation. We strongly believe that the latter option is preferable, both for individual players and for the industry as a whole, and will deliver cost savings, meet regulatory requirements, and unlock open innovation across the sector.

Why? Mandatory requirements, cost-efficiency, risk reduction, and innovation

- Implementation of legislation such as PSD2 & GDPR is best served by using open banking APIs
- Open standards and APIs foster innovation
- Regulators are indicating that APIs might be required to solve industry issues (e.g. the Payment Strategy Forum (PSF), and the Competition and Markets Authority (CMA)).
- Open APIs improve security & audit trails, reliability and efficiency by providing a preferable alternative to screen-scraping
- Open standards are more cost effective than in-house development or commercial outsourcing.
- Many of the requirements of PSD2 can be solved by a central organisation rather than being implemented by each bank (e.g. governance, certificate authority, dev support), which will lead to market fragmentation
- Opting in to an open standard which you co-create reduces the risk of being mandated to implement a standard that you've had no involvement in at a later date
- Working together we gain a greater voice with the EBA to ensure that the RTS they define is aligned with the UK open banking standard

The accompanying interoperability with other players in the FS industry can drive the following use cases:

- Faster mortgage applications with reduced fraud [SA case study]
- Better quality data for credit decisions
- Significant improvements to the current account switching service
- Improved fraud detection through industry-wide data sharing
- Online accounting / Personal financial management - it will be possible to securely provide your customers with an aggregated view of their finances, including accounts held outside of your systems

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A cross-industry group contributed £750K-£1M worth of their time in developing the OBWG report. In order to move forward with the report's recommendations we are seeking both a time and a financial commitment to an Open Banking Group, which could include organisations such as BBA, Payments UK, HMT, CMA, FCA, FDATA, EMA and ODI, as well as direct industry representation as appropriate.

The group will prioritise activities (e.g. challenge themes) and authorise the use of funds around:

- Expert-led working groups addressing governance & regulation issues, legal and liability issues, security, technical & data standards
- Establishment of a governance function and processes
- Creation of data literacy and training assets
- Research & development
- Startup competitions and incubation
- Communications (general public-facing and industry-facing)
- Community management and engagement (e.g. workshops, roundtables, conference)

We propose (in line the OBWG report) that the 2016 target for the Open Banking Standard will be a standardised product data exchange. This low risk open data would be a good initial deliverable that would yield immediate benefit to your organisation.

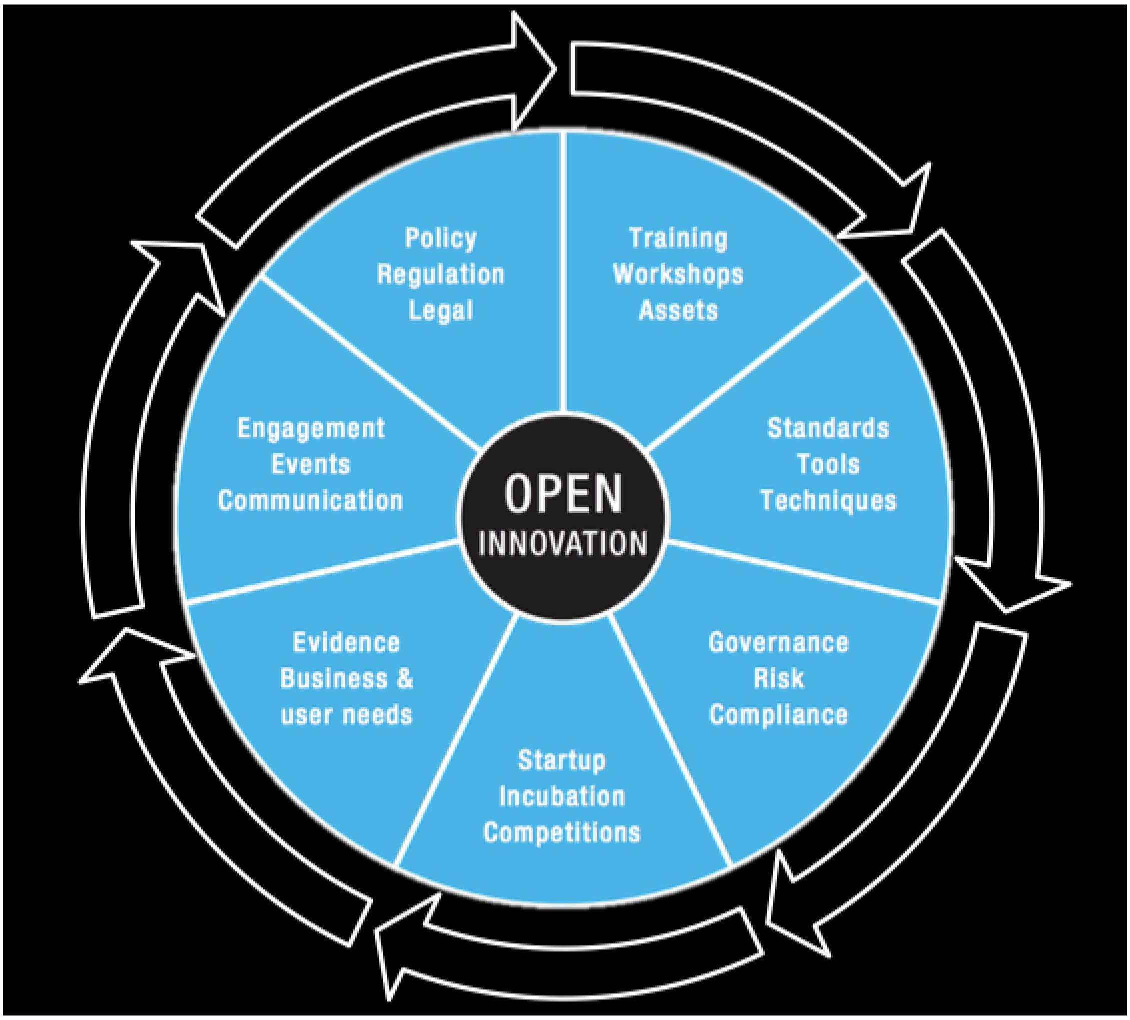

Figure 1: Framework and programme components

Commitment

Based on discussion with industry, regulators, HMT and your colleagues, we estimate that creating a world-leading standard and taking it to market will cost up to £10M over five years. We would like to secure your conditional interest in financially supporting the initiative. The allocation of available funds shall be decided by a steering group, which will focus on annual delivery targets based on the needs of the community. ODI shall undertake management of the programme. All standards assets shall be developed openly, and available to anyone.

This proposal / framework is supported, in principle, by:

ODI, Payments UK, Barclays, FDATA, RBS, Open Bank Project / TESOBE, Holvi, Piccadilly Group, Mark Stanhope Head of Operations at Paym, Atom Bank, Kreditpassport/Xcix, Heidi Money, Moneyhub, Electronic Money Association, Nesta, Money Dashboard, Experian

References:
Open Banking Standard
ODI “What next?” blog
ODI framework for discussion proposal overview

We, the undersigned, will pay one of (please delete as necessary):

a. Sector Patron (up to 12): £200K/y (could include steering board, and b.)
b. Sponsors: £50K/y (includes event branding, related marketing and c.)
c. Members: enterprise: £15K/y, SME: £5K/y (workshops, events, etc.)

per annum for five years, assuming at least £500K is secured per annum.

Organisation:
Name:
Role:
