
Objectives

Government and regulators to maintain and strengthen the UK's global-leading position in Open Banking by:

- improving and expanding existing Open Banking standards
- delivering at pace on development of the next phase of Open Banking
- setting an ambitious trajectory for reliable and trusted Open Banking payments
- providing a clear roadmap for the introduction of wider Open Finance measures

Context

The Joint Regulatory Oversight Committee (JROC) report [on the next phase of Open Banking](#) was finally unveiled at the Innovate Finance Global Summit in April 2023, setting out the future vision for Open Banking in the UK and the key milestones needed to achieve this. In his IFGS speech, Economic Secretary Andrew Griffith MP promised that 2023 would be "the year of delivery for the next generation of Open Banking".

[Six JROC workstreams](#) were established, with ambitious deadlines to reach conclusions this autumn, looking at specific issues to improve the current system and expand its scope. JROC is now considering the workstream recommendations and is expected to respond in the coming months. This paper highlights key issues for the FinTech industry as JROC continues its deliberations.

Detail

A long-term regulatory framework

The Smart Data provisions within the **Data Protection and Digital Innovation Bill** should **be accelerated** within parliamentary business to **provide the certainty industry needs** of how the UK will oversee delivery of Open Banking and Open Finance in the future. Alongside this should sit a **clear statement of intent on the Future Entity** governance and funding (to succeed Open Banking Limited) and an **indicative timeline for future expansion of Open Finance**.

In the event further data sets within Open Finance are to be accessed through a market-led - rather than mandatory - arrangement, expectations should be set at the outset for the timeframe in which these agreements should be achieved with proportionate pricing, and regular reviews of progress conducted to determine whether this proves to be an effective approach.

Design of Future Entity¹

Capabilities

¹ ToR [here](#) for JROC working group looking at OBL's future shape, responsibilities, governance, funding - chaired by FCA

Open Banking Limited (OBL) (and the Open Banking Implementation Entity (OBIE) prior) oversees critical economic and societal infrastructure in the UK. Through this approach, greater progress has been made than the more decentralised model adopted in the EU, with consumer interests and innovation better supported in the UK. In line with the UK's experience to date, therefore, **a strong, independent centralised body will be needed** to drive forward the next phase of Open Banking. The Future Entity should be established with sufficient flexibility to allow evolution to Open Finance and Smart Data, and be capable of supporting both mandatory and market-led arrangements.

Significant **consideration should be given to the risk of disruption and to business continuity** before firm decisions are taken on transferring existing core activities to commercial operators e.g. Certification and Directory services. In the event change is considered and stands to achieve genuine and significant cost savings, the stability, security, integrity and interoperability of the system must still be assured.

From a policy perspective, the Future Entity should include **the necessary policy expertise** to monitor developments and evolve standards in line with changing regulations. When it comes to promotional activities, where the Future Entity is providing basic, factual information to consumers and businesses about Open Banking / Open Finance, this can helpfully be supplemented by **regulator or government educational campaigns to build trust and confidence in adoption** through e.g. standardising language.

Funding

For existing Open Banking standards under the Competition and Markets Authority (CMA) directed activities, existing funding principles should be maintained. Beyond this, a **fair funding model** should be set for the Future Entity, that **enables low-cost market entry and innovators** to establish and build on new Open Banking standards and activities.

Funding principles which should be observed include:

- **Fair, balanced distribution of costs** - across the different entities involved
- **No barrier to entry** - allowing new entrants to enter the ecosystem and innovate
- **Scalable** - contributions should not become prohibitive as usage and volumes grow
- **Accessible** - for products and services which may be of societal benefit but low profit

In the absence of a straight-forward levy, a **membership funding model** should be tiered, with clearly articulated thresholds for the contribution levels, and encompass a more significant contribution from ASPSPs as the data holders, recognising the inherent and historic market advantage this presents.

For those services beyond the core functions and which are more bespoke to an individual firm, a **pay per use model** may be appropriate e.g. a service package when applying for standard certification for those companies requiring additional advice or a change fee for amending, updating or replacing certificates or software statements.

Care must be taken should a **pay per API call** approach be taken, ensuring this does not prohibit access to Open Banking and Open Finance APIs for socially beneficial services which may be low margin, as well as more generally not inhibit an ever-increasing volume of API calls being made across the ecosystem (which would seem counterproductive given this

is currently celebrated as a metric for expansion, adoption and the success of Open Banking). Business models using high volume, low value calls should not be unfairly penalised in comparison to low volume, high value models. Potential unintended consequences would need to be explored further before committing to a model on this basis.

On the question of transitional funding, we note and agree with the previous conclusions of JROC setting out “ASPSPs subject to the CMA Order to provide the funding necessary to ensure the OBIE continues its key role, including for non-Order activities” during this period², whilst encouraging pace around decision-making to ensure that transition to the Future Entity is as swift as is practically possible.

Governance

From a governance perspective, the Future Entity should be not-for-profit, and registered as a company limited by guarantee, with a clearly articulated purpose recognising its position as fundamental infrastructure within UK financial services. Future Entity **governance must value the drive for competition and innovation**, with an effective independent Board. Beyond this, there should be ample opportunity for the Future Entity to take account of a **broad range of stakeholders** (either directly or with structures in place for their input).

The Future Entity should be able to **hold ASPSPs to account** for adherence to the standard in performance and availability, either directly or through a defined pathway to regulators who themselves have clearly articulated measures to enact in the case of non-conformance, and are appropriately resourced to do so. Any powers currently afforded to the CMA in this respect may need to be transferred to e.g. the FCA.

Variable Recurring Payments³

Progress on non-sweeping VRPs will **allow new payment services to flourish**, applying competitive pressure to the card and direct debit options that currently dominate these retail payment journeys. In doing so, they will bring the additional benefits of Open Banking, including **lower transaction costs** for merchants, and **greater clarity and control** of spending for consumers.

Key barriers holding back non-sweeping VRPs are currently being considered in the JROC working groups featuring policymakers, FinTechs and banks as they collaborate to produce a VRP blueprint. To maintain the UK’s lead in Open Banking payments this work, and HM Treasury / JROC’s response, will need to set out a **clear direction**, approach and actions, **not just for immediate lower-risk ambitions** (e.g. subscription and utility bill payments), **but also how to achieve the more complex longer-term opportunities** (e.g. retail payments).

Where possible we envisage this could be **based on multilateral commercial agreement**, with a strong case for regulators having **backstop regulatory powers**, for example, **to ensure fair access and fair pricing**, to ensure **comprehensive availability** across the banking sector, and to determine how scheme rules on liability and redress fit with the rules for other payment methods and **provide clarity for consumers** and industry. When considering the terms and fees for TPP access to VRP infrastructure, there may be helpful

² JROC report ‘[Recommendations for the next phase of opening banking in the UK](#)’, April 2023

³ ToR [here](#) for JROC working group developing a blueprint for phased rollout of non-sweeping VRPs - chaired by PSR

learnings that can be drawn from parallels such as OpenReach which is private-sector led with regulatory oversight by Ofcom of pricing arrangements (through charge controls) and of performance⁴.

Levelling up performance and availability of bank APIs⁵

OBL has submitted proposals for metrics to increase the transparency of the availability, timeliness and reliability of open banking feeds from all ASPSPs (Account Servicing Payment Service Providers). We **welcome JROC approval of these new data collection frameworks**, and encourage stakeholders across the ecosystem to complete the requested returns promptly.

Tackling fraud and financial crime

Alongside a new data collection framework to address financial crime, OBL/PayUK has submitted proposals for a new set of 'Transaction Risk Indicators' to help better detect fraud. **Adoption of these new TRIs** and an appropriate phased introduction is one step in further developing data-based fraud prevention.

Developing proposals for dispute processes

OBL gap analysis on dispute management provides a thorough exploration of existing issues, and of potential solutions to address these with clearer processes as Open Banking and Open Banking payments continue to scale. We **encourage JROC to build on this research** with proposals for a more formal dispute management process, and increased protections for consumers and businesses to support greater uptake and adoption.

Improving information flows

OBL has submitted its research into the current frustrations for third party providers, accompanied by possible solutions. For example, issues include the **granularity of error codes** presented by ASPSPs (which impacts how TPPs can understand bank feed issues in order to address them, as well as what is displayed to the consumer when something goes wrong). As an issue that Innovate Finance raised on behalf of the FinTech industry in the initial JROC Stakeholder Working Group submissions, we urge **endorsement and commitment to implementing** OBL's recommendations for improvements in this area.

Wider opportunities

Exporting UK know-how and advancing cross-border interoperability

The UK has led the way in developing Open Banking Standards, including in payments, with the OBIE/OBL setting API standards that provide the basis for innovation. To date, individual territories have developed their own Open Banking and Open Data standards. However, **future trade and transactions will depend upon international interoperability** - underpinned by international standards. The UK has an **opportunity to export our know-how** in this area, lead the way in **developing international standards** with our international partners, and to **open up further international opportunities for UK FinTech**. Other countries are interested and keen to collaborate. We encourage **HM Treasury to**

⁴ Ofcom (2020) [Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-26](#)

⁵ [ToR](#) here for OBL led working groups on Levelling up, Fraud, Dispute Processes, and Information Flows

initiate and lead the discussions and development of international standards in this area, both through global policy-making processes and within bilateral financial dialogues.