



## Manifesto

# HARNESSING APIs FOR AN OPEN FINANCE FUTURE

## Policy Context

The Second Payments Service Directive (PSD2) and Open Banking demonstrated what could be achieved for consumers and businesses by opening up financial accounts to trusted third party providers using secure, open Application Programming Interfaces (APIs).

But with only payment accounts included in the scope of PSD2, this is just the beginning of a transformation of financial services industry.

Open Finance promises to further empower consumers and businesses by enabling them to utilise more of their financial data and account functions via trusted third parties.

## Vision



Enable users to **access their personal data across all their financial accounts**, and make use of it, via trusted third party providers.



Develop and drive adoption of a **competitive instant payment method based on open payments**.



Promote a **sustainable, well functioning Open Finance ecosystem** by creating the right balance of requirements and incentives.

## How APIs will serve this Vision

APIs are the chosen technology for the internet-enabled economy. Open and secure APIs will best guarantee well-functioning Open Banking and Open Finance frameworks, to the benefit of users and the market.

### APIs will ensure:

- **Control of data:** API technology allows for clear access controls for both user and data holders, in line with data privacy requirements and expectations.
- **Secure data access and transmission:** APIs are a secure and proven technology, their use is required to build trust in an Open Finance economy.

- **Data minimisation:** APIs put the user in control of their data. Users can choose how much or how little of their data is shared, enhancing consumer service, outcome and ultimately trust.
- **Lower barriers to market entry:** no proprietary technology is required to connect to APIs, encouraging new innovative companies to enter the market, boosting much needed competition in financial services.



# 1 For consumers to access their data across all their financial accounts and be able to use it with trusted third party providers

- With Open Banking under the Second Payments Service Directive (PSD2), policymakers in the UK and EU made a commitment to give consumers and businesses more control over their financial data by unlocking payment accounts via trusted third party providers.
- But financial life is about more than just payment accounts. It extends to investments, mortgages, savings, paying bills, borrowing and more, requiring more holistic data access to allow consumers to have a complete and accurate picture of their financial health.

## What is needed?

- For financial institutions to be required and incentivised to open a broader range of financial accounts, other than just payment accounts.
- Access to be facilitated using secure APIs, ensuring the right level of trust and willingness to share data. This will expand consumer access to better financial products while guaranteeing optimal control of their data.

# 2 A competitive instant payment method based on open APIs

- The shift away from cash to electronic payment methods and from in-store shopping to e-commerce has accelerated the need for new ways to pay, to provide an alternative to incumbent methods that are costly to merchants and consumers.
- Open Banking unlocked the potential of instant bank transfers to be used as a payment method in these new payment contexts - such as paying businesses online - but it is being held back by limitations in bank APIs and the underlying payment infrastructure.

## What is needed?

- Financial institutions to be required and incentivised to provide high quality payment APIs and user journeys.
- Full coverage of instant account-to-account payments, free to consumers.
- Removal of cross border barriers such as IBAN discrimination.

# 3 A healthy and sustainable Open Finance ecosystem

- A lack of incentives for financial institutions to share access to customer data via APIs has meant that historically, technology companies have had to rely on work-arounds like screen scraping to gain access in order to provide valuable services to consumers. However, these methods give consumers less control of their data and are less secure.
- Although PSD2 sought to address this by requiring banks to provide access via secure dedicated interfaces (APIs), financial institutions were not incentivised to maintain these APIs to a high standard. This limits the ability to safely share customer data, ultimately obstructing innovation and sector growth.
- Open Finance will only be sustainable if institutions have the right incentives to provide well functioning APIs, beyond the minimal compliance with regulation.

## What is needed?

- Require financial institutions to open access to data and payments to third-party providers via secure, open APIs.
- Encourage harmonisation of rules and standards to minimise fragmentation and promote consistency via the creation of an independent Open Finance standards body to oversee implementation and maintenance of Open Finance APIs.
- A system of clear rules and guidelines to provide commercial opportunities for both third party providers and financial institutions to benefit from Open Finance. This will drive both ecosystem innovation and employment.