



MENA FINTECH
ASSOCIATION



صندوق النقد العربي
ARAB MONETARY FUND

Open Banking: A Vision from the Arab World

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Open Banking: A Vision from the Arab World report was created in collaboration with the Regional Arab Fintech Working Group and the MENA Fintech Association Open Banking Working Group



18 Arab central banks and monetary authorities were surveyed

-  Banque d'Algérie
-  Central Bank of Bahrain
-  Central Bank of Egypt
-  Central Bank of Iraq
-  Central Bank of Jordan
-  Central Bank of Kuwait
-  Banque du Liban
-  Central Bank of Libya
-  Banque Al-Maghrib
-  Central Bank of Mauritania
-  Central Bank of Oman
-  Palestine Monetary Authority
-  Qatar Central Bank
-  Saudi Arabian Monetary Authority
-  Central Bank of Sudan
-  Central Bank of Tunisia
-  Central Bank of the United Arab Emirates
-  Central Bank of Yemen

To derive a vision for Open Banking and APIs for the Arab Region








To shape Open Banking & APIs industry for the region, identifying main opportunities & challenges



Objective

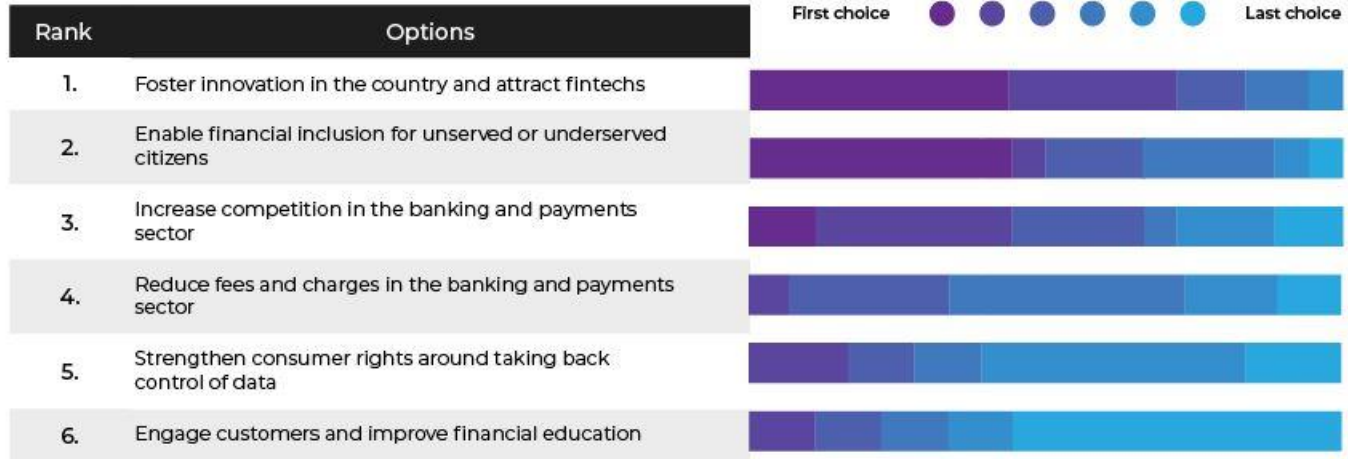
To draw recommendations to enhance open banking activities in the region

Open Banking Around the World

	 UK	 EU	 Hong Kong	 Brazil	 Japan	 Australia	 USA
Lead	CMA (Competition & Markets Authority)	EU Commission (European Union)	HKMA (Monetary Authority of Hong Kong)	CBB (Central Bank of Brazil)	FSA (Financial Services Agency)	Treasury Department Consumer Rights Act CDR)	CFPB (Consumer Financial Protection Bureau)
Status	(Launched 2018)	(Launched 2019)	Launched 2018 (First 2 out of 4 phases begun)	Launched 2020 (3 Phases)	Launched 2019	Launched 2019 (2 Phases)	Investigation Mode
Service Provider	Mandatory 9 major banks in the UK	Mandatory All banks and payment service providers	Voluntary All banks	Mandatory 10 major banks (at present) and third-party providers	Mandatory All banks	Mandatory All banks, telcos, utility companies	Mandatory All financial institutions
Product Scope	Current and Savings Accounts	Current and Savings Accounts	All banking products/ Asset classes (current accounts, investments etc.)	Current accounts, credit cards, loans, insurance, know-your-customer (KYC) information	Bank Accounts (current, savings, deposits)	Current accounts, loans, mortgages, credit cards (later telco accounts, utilities data)	As per the consumer (any financial data)
	API	API + Screen Scraping	API	API	API	API	API + Screen Scraping
Access Type	Read (account and balance info) Write (payment initiation)	Read (account and balance info) Write (payment initiation)	Read (account and balance info) Write (transaction initiation)	Read (account and balance info) Write (payment initiation)	Read (account and balance info) Write (payment initiation)	Read (account and balance info)	Read (account and balance info) Write (transaction initiation)

What are the main drivers for you to engage with Open Banking.

Q1. What are the main drivers for you to engage with open banking?



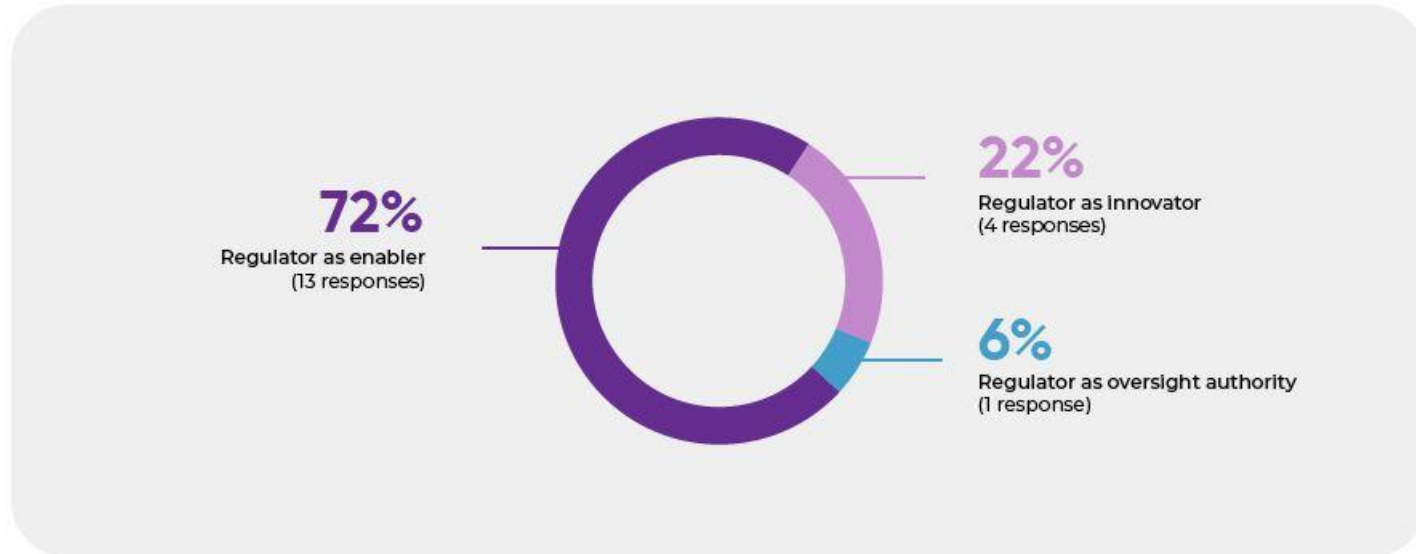
Most of respondent central banks identified themselves as Prescriptive Regulators for Open Banking in their respective markets.

Q2. What overall role do you see regulators playing in open banking in your market?



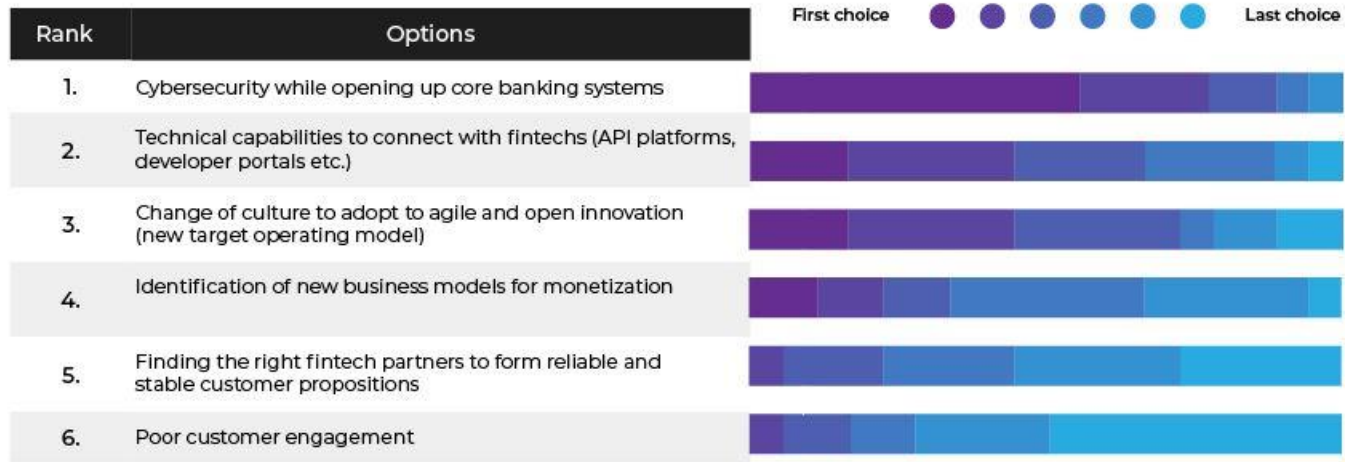
Majority of respondent central banks identified themselves as Enabler Regulators for Open Banking and innovation.

Q3. How do you see regulators' future roles in open banking and innovation?



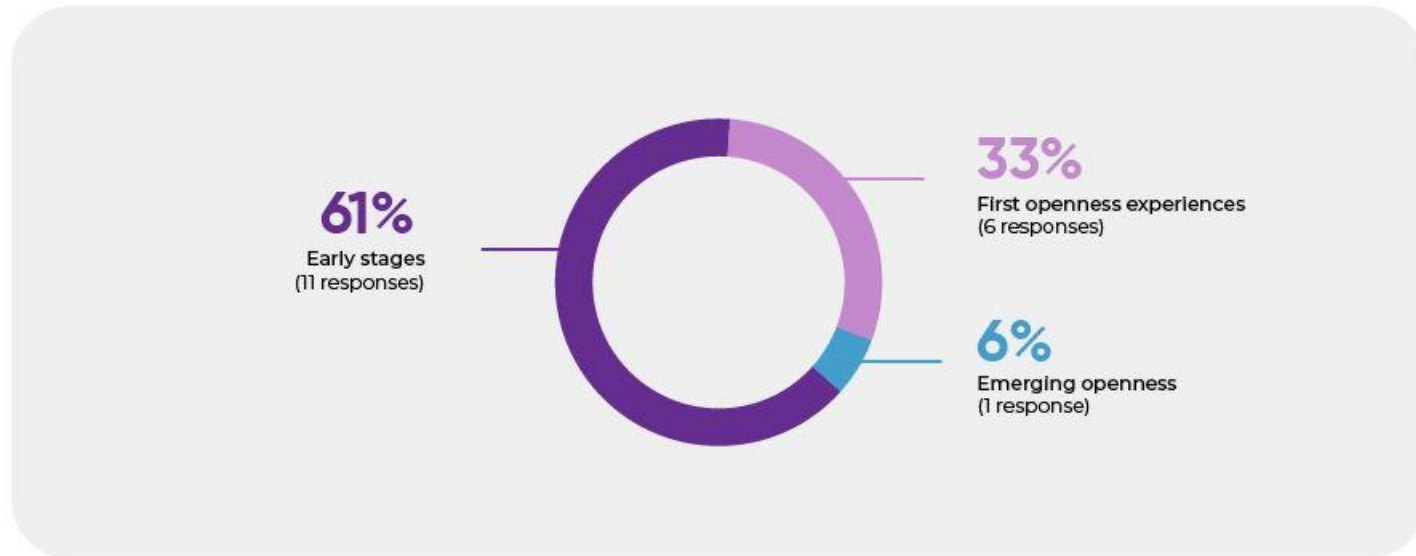
Arab regulatory & supervisory authorities reported “Cybersecurity while opening up its core banking systems” as major challenge to adopt Open Banking

Q4. What are the key challenges for banks when adopting open banking?



Majority of respondent central bankers assess their market maturity level and understanding regarding the Open Banking concept and its opportunities at the early stage.

Q5. How do you as a regulator assess the level of market maturity and understanding of the open-banking concept and its opportunities in your country?



From Open Banking to Open Finance

It's no longer just about payment accounts and payment services.

Open Banking has evolved. It's been steadily moving from just payments accounts toward all types of asset classes – **towards Open Finance:**

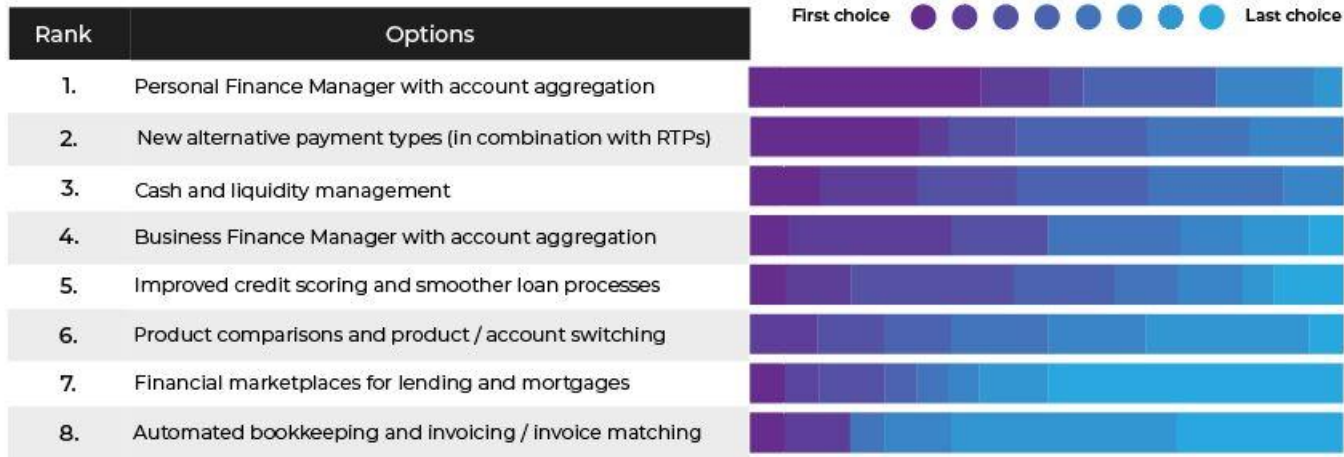
- savings accounts
- credit cards
- loans, mortgages
- stocks and investments
- Insurance
- credit scoring
- liquidity and cash management
- loan applications, product switching

Open Finance can help to tackle to **key challenges in the region:**

- financial account aggregation across all asset classes
- account-to-account payments
- remittances
- credit access
- identity verification

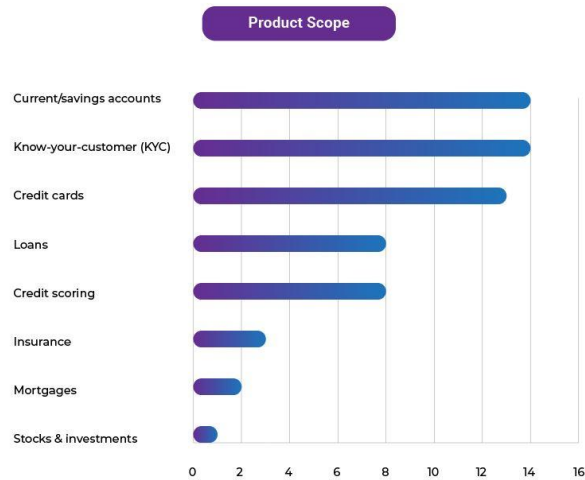
Responses highlight personal finance manager, new alternative payments and Cash & liquidity management as leading customer use cases to be enabled by Open Banking .

Q6. What are the core customer use cases you would like to see enabled by open banking?

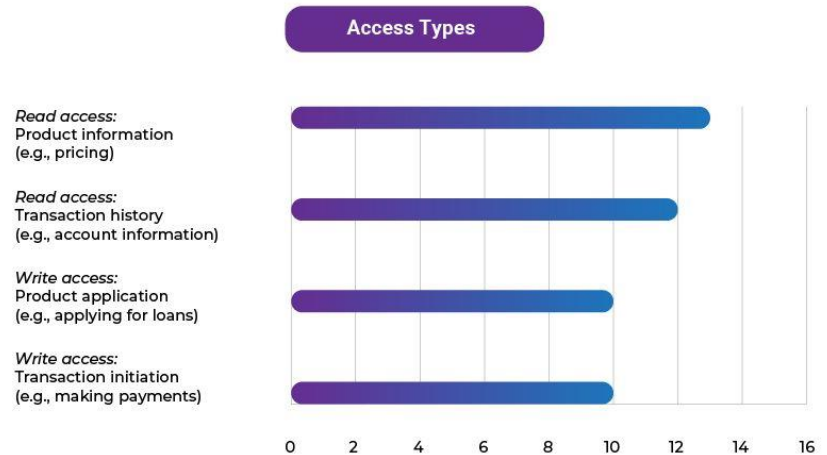


Current & saving accounts, eKYC as well as credit cards are seen by Arab central bankers as baseline for innovation in their respective countries. Read access to data has a slightly higher preference than initiating (write access) transactions

Q7. What API use cases should be provided by banks as a baseline for innovation in your country?



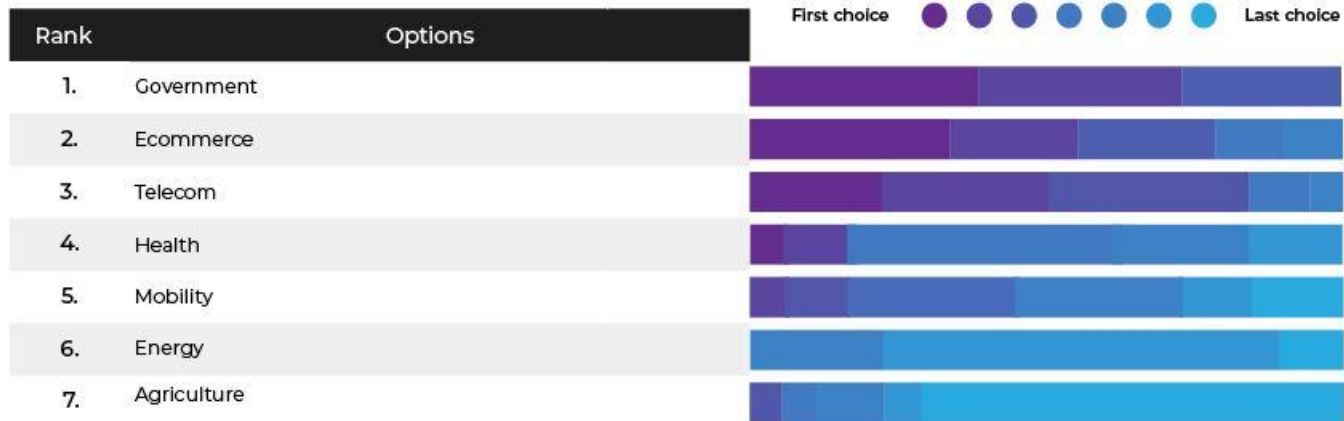
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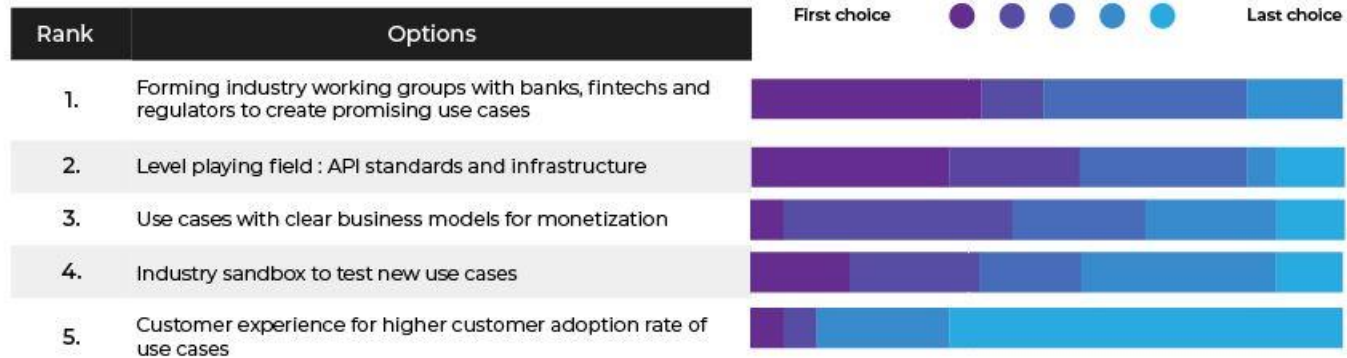
Central Bankers pointed government, e-commerce, and telecom, respectively as largest three sectors to open up and create new services in an open data ecosystem.

Q8. What other industries should also open up to partner and create new services with banks and fintechs in an open-data ecosystem?



Regulatory & supervisory authorities perceive “forming industry working groups”, “level playing field: APIs standards & infrastructure”, and “Use cases with clear business models for monetization” as key success factors for a proper functioning Open Banking ecosystem

Q9. What are the most important success factors for a functioning open-banking ecosystem in your market?



Monetization Opportunities

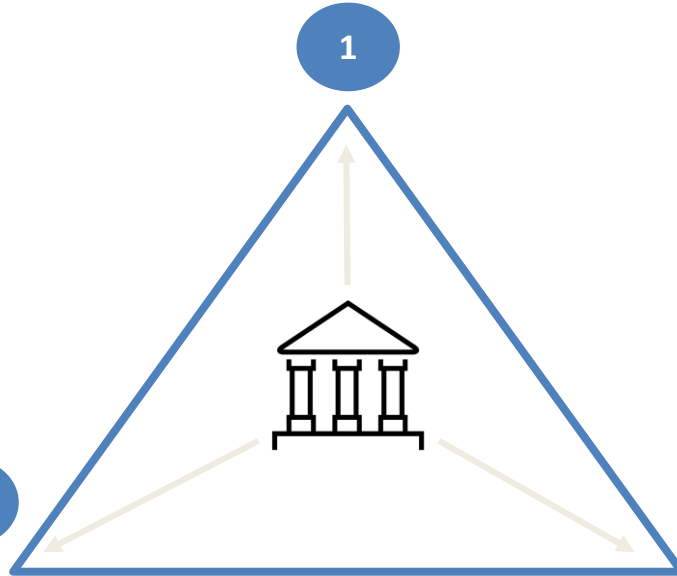
New models—banking as a service, banking as a platform and banks operating as third-party providers—represent new revenue.

Banking as a Service

Expose value-added services or use them as distribution channels



1



Bank as a TPP

Act as a fintech integrating other bank's data and services



2

Banking as a Platform

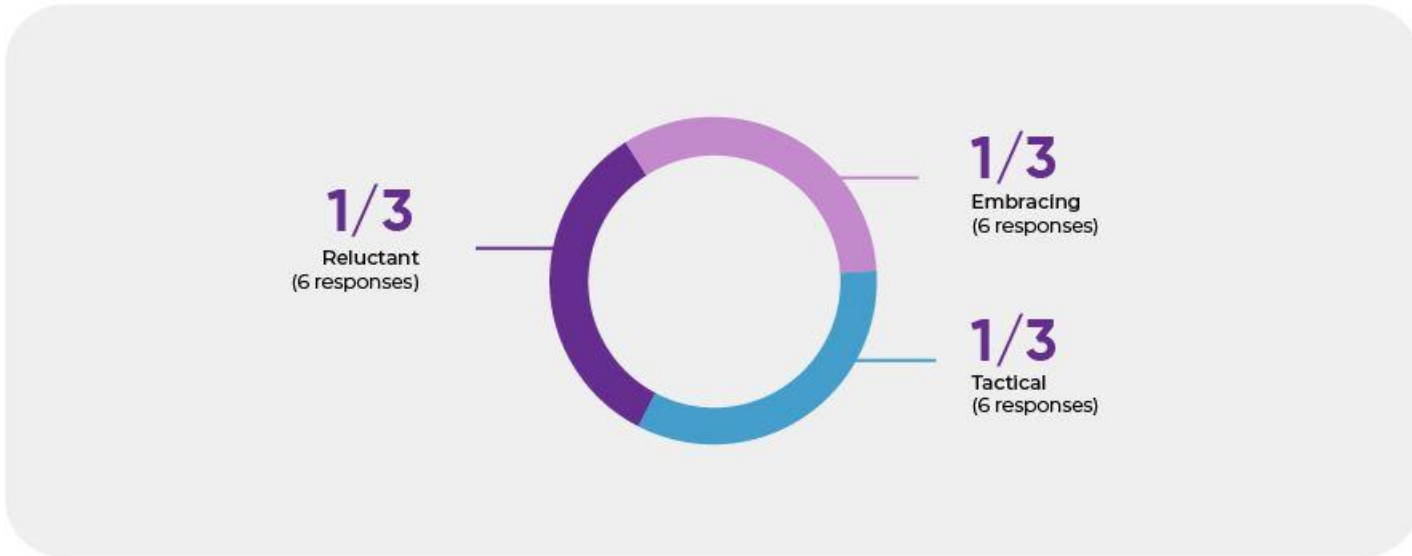
Develop a fintech ecosystem to enrich the bank's value proposition / or expose banking platform as white-labelled solution



3

Regulatory and supervisory authorities reported three clusters of behaviour regarding welcoming Open Banking

Q10. How do your country's incumbent banks welcome open banking as a shift in the wider banking and payments industry?



56 % of Arab central banks & monetary authorities advise to have a common national API standard that should be maintained by a central entity.

Q11. When it comes to API standards, how should they be developed in your country?



A Proposed Framework

The right approach should engender participation rather than defensiveness.



Principles over Prescriptions

Balancing regulatory definitions with market considerations will permit a focus on measures that can accelerate implementation and adoption

Real success will come from **regulators being active participants in working groups to support the innovation** process and adjusting their regulations to accommodate as appropriate.



Phased Implementation

Open banking remains a transformational, long-term, structural undertaking.

A gradual expansion of functionality will ensure all stakeholders have sufficient time to address local market and technological challenges.



Customer Data Rights

In sync with privacy regulations

Countries exploring new privacy regulations **might consider automatically embedding open-banking/data regulations**

Global security standards are often considered a basic requirement for all data sharing regardless of specific privacy regulations



Standards/Technology

Standards for APIs, data processing and storing, and cybersecurity will ideally emerge naturally from a flexible regulatory framework

Collaboration between stakeholders across different countries will help **extend interoperability across the Arab region.**



Level Playing Field

All stakeholders have **sufficient commercial and economic incentives** to support open banking.

Revenue models around a **personalized investment product to a few high earners as it will come from assisting underbanked consumers**

Avoid restrictions for fintechs and banks being expected to carry the financial burden and reputational damage

OPEN BANKING VISION

Thank you for your attention

