



How to design an Open Banking regime for inclusive finance

Photo credit: Kiran Dewasi

AMF Workshop: Open Finance, APIs and related regulatory framework

Ariadne Plaitakis

27 May 2021



Speaker



Ariadne Plaitakis

Senior Financial Sector Specialist

aplaitakis@worldbank.org

What's Open Banking?

Teaser: it is not open and it is not only about banking

CGAP definition of an Open Banking Regime



Public sector driven or supported regulatory framework for **data sharing**



Sharing of customer transactional data by certain financial sector players (“data holders”) with other financial sector stakeholders (“data users”)



Sharing is upon **customer consent** and usually **data users are accredited**

Open Banking is a journey towards Open Data



Open Banking



Open Finance



Open Data



Open APIs



Why Open Banking?

Two main reasons

Reason No.1: Open Banking fosters competition

- Addresses data silos and informational asymmetry between traditional banks and other financial service providers
- Leads to the entry of more players, increases financial services offerings in number and diversity, and lowers prices
- Expands the pie for banks too.

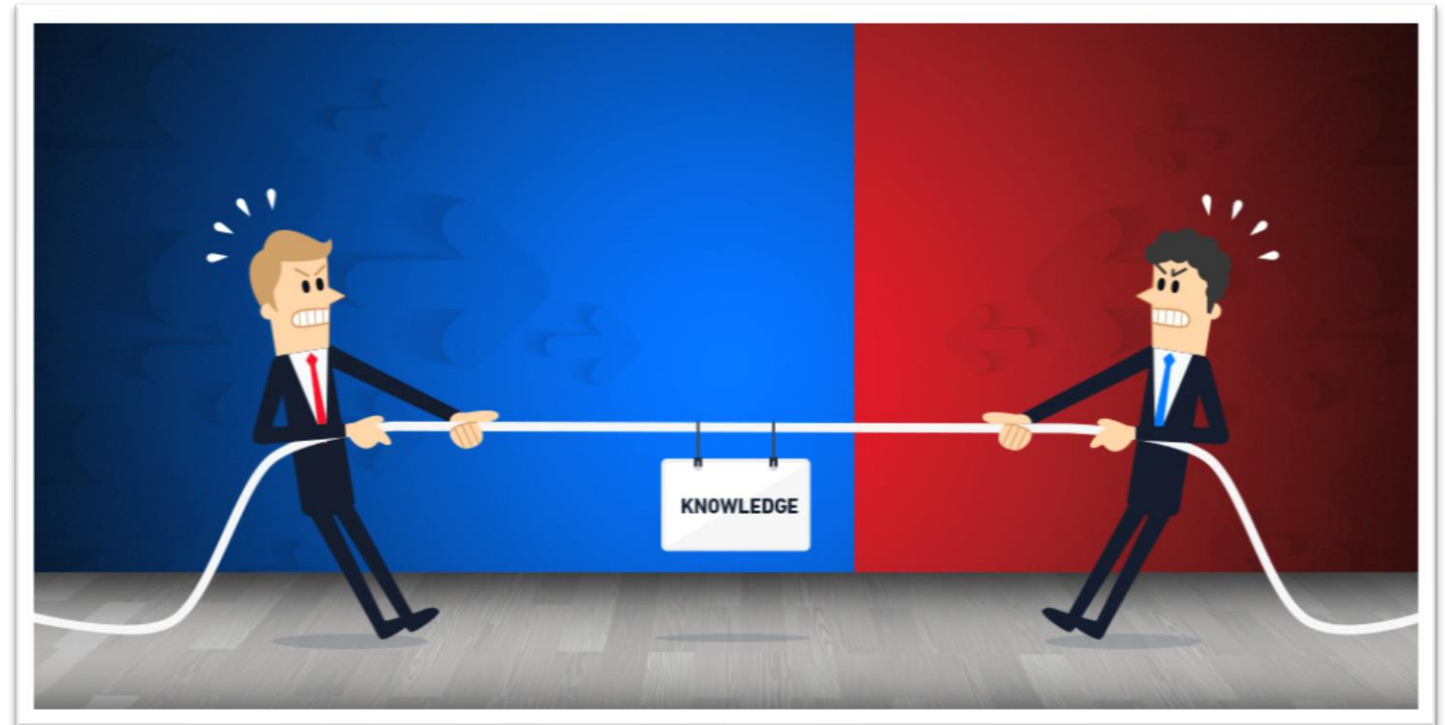


Image source: pinnacle.com

Reason No. 2: Open Banking empowers customers

Data users' access to transaction data allows customers to:

- Have a consolidated view of their data
- Access tailored products that are more suitable to their needs
- Make more informed financial choices, often resulting in significant savings



Source image: castelighfinancial.com

Open Banking products help overcome typical challenges faced by the low-income



Volatile and irregular income



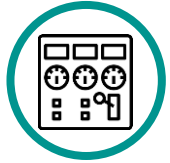
Savings trackers and automatic saving sweepers can create a cushion (e.g. [Merkaat](#), SA)



No access or inappropriate credit product



Increase access to credit through alternative data (e.g. [Mojo](#) or [Canopy](#), UK; [Rebel](#), Brazil)



Lack of control over budget and funds



Personal finance management and payment initiation provide data insights & ability to act (e.g. [Yolt](#), NL)



High tariffs for household bills (poverty premium)



Personal finance management tools can reduce poverty premium (e.g. [Trim](#), UK)



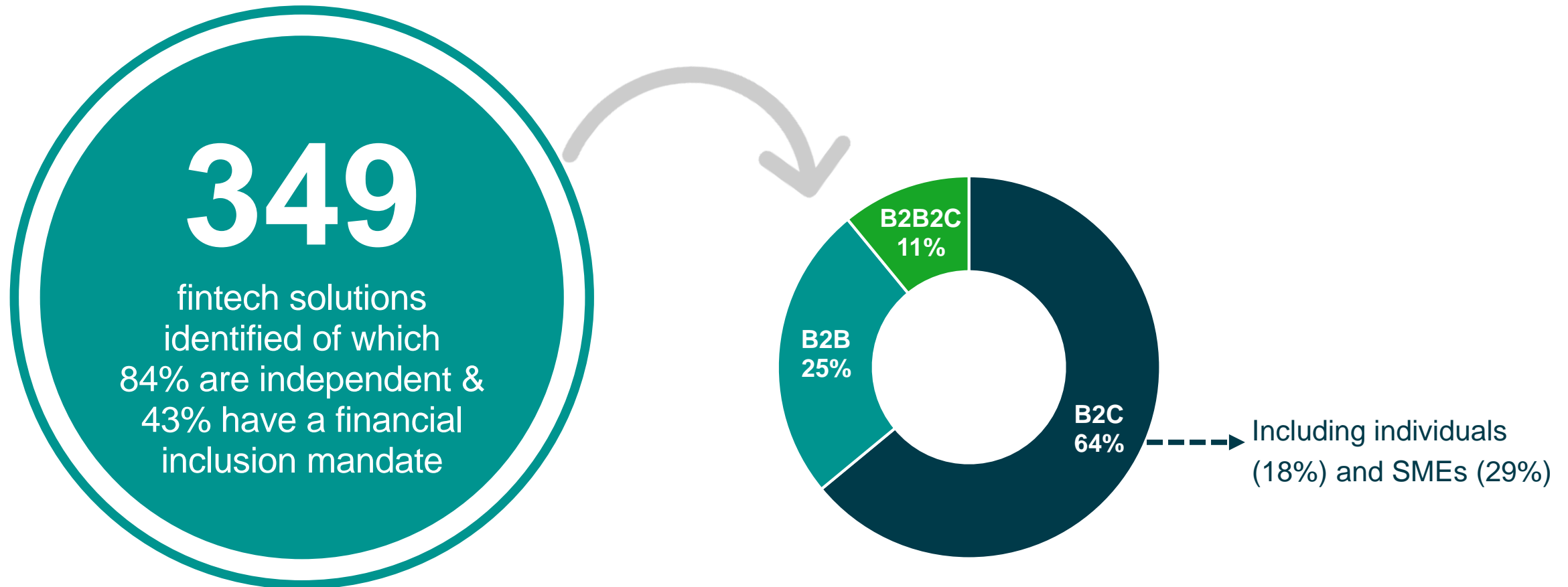
Lack of ID to access financial services



Collaborative approach to CDD can overcome KYC identification issues (e.g. Brazil [CCDD](#))

Fintech in the region are operating below their potential

Regulation is the primary challenge, often leading B2C solutions to change their offering to B2B or B2B2C
Establishing partnerships is often cited as another important challenge



Open Banking: How To?

Twelve design elements

There are 12 design components for an Open Banking Regime

Scope

1. Types of services
2. Participants
3. Types of data
4. Payment initiation

Implementation

5. Lead regulator/policy mandate
6. Mandatory vs voluntary
7. Technical specifications for data sharing
8. Staged implementation
9. Data privacy and portability
10. Liability and consumer protection
11. Cost distribution for the data requests
12. Governance

There are 12 design components for an Open Banking Regime

Scope

1. Types of services
2. Participants
3. Types of data
4. Payment initiation

Implementation

5. Lead regulator/policy mandate
6. Mandatory vs voluntary
7. Technical specifications for data sharing
8. Staged implementation
9. Data privacy and portability
10. Liability and consumer protection
11. Cost distribution for the data requests
12. Governance

Of those, 5 are key to a “Financial Inclusion by Design”

“Financial Inclusion by Design”: Comparision of Brazil’s & Mexico’s open banking choices



| Design Element | Mexico | Brazil |
|--|--|--|
| Types of services | Broad range of financial services, including investments and insurance | All services regulated by CB |
| Participants | All financial institutions, fintechs, clearinghouses, and credit bureaus; data reciprocity for most participants | Mandatory Segment 1 and 2 Prudential Conglomerates and all authorized payment institutions; data reciprocity |
| Types of data | Product data, transaction data, aggregated statistical data | Product data, transaction data, customer registration data |
| Payment initiation | No | Yes |
| Cost distribution: data calls & infrastructure | No provision concerning infrastructure; All institutions can charge fees for data exchange, but fees must be authorized in advance by the relevant regulator | Tiered pricing for calls, infrastructure by all participants, proportionate to MS |

Thank you

شكراً

Merci



For more, please visit: www.cgap.org

Resources

Working Paper:

cgap.org/research/publication/open-banking-how-design-financial-inclusion

Blogs:

cgap.org/blog/open-banking-7-ways-data-sharing-can-advance-financial-inclusion

cgap.org/blog/open-data-and-future-banking

Webinars:

cgap.org/events/open-banking-how-design-financial-inclusion

<https://www.cgap.org/events/spotlight-regulators-open-banking-and-financial-inclusion>

Stay connected with CGAP



www.cgap.org



[@CGAP](https://twitter.com/CGAP)



[Facebook](https://www.facebook.com/CGAP)



[LinkedIn](https://www.linkedin.com/company/CGAP)

