



November 25, 2020

Arab Regional FinTech Working Group

Open Banking and Beyond

Customer empowerment, competition implications and an Open Data ecosystem

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Agenda

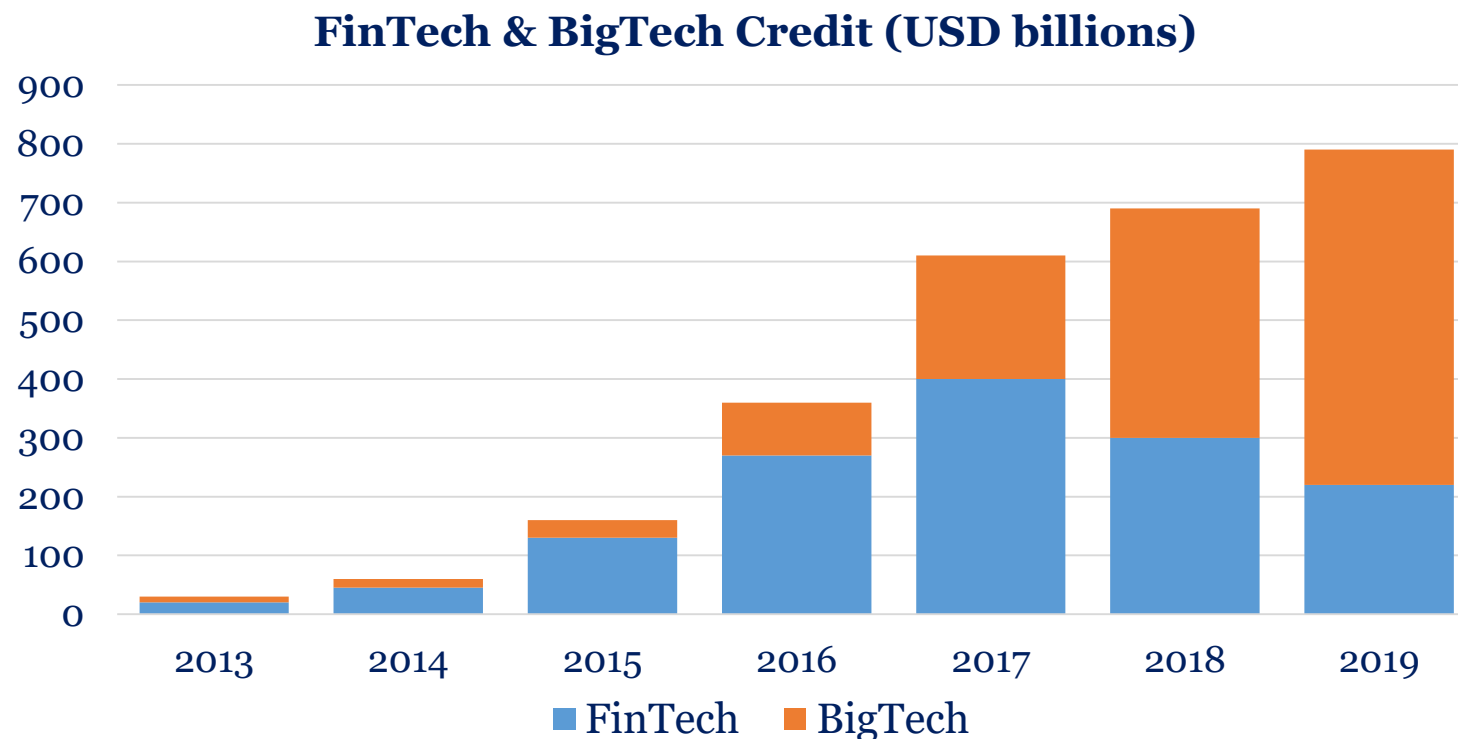
1. Open Banking Objectives & Market Dynamics
2. Data Asymmetries Across Sectors
3. COVID Amplification
4. Open Banking to Open Data
5. Banks and the Data Ecosystem
6. Open Digital Identity

1. Open Banking Objectives & Market Dynamics

Open Banking seeks to pursue twin key objectives, to both:

- (i) empower customers, and
- (ii) provide opportunities for new competitors, such as FinTech firms, neo-banks and challenger banks.

However, shifting market dynamics mean that BigTech firms are the ones more likely to be able to capitalize on this opportunity.

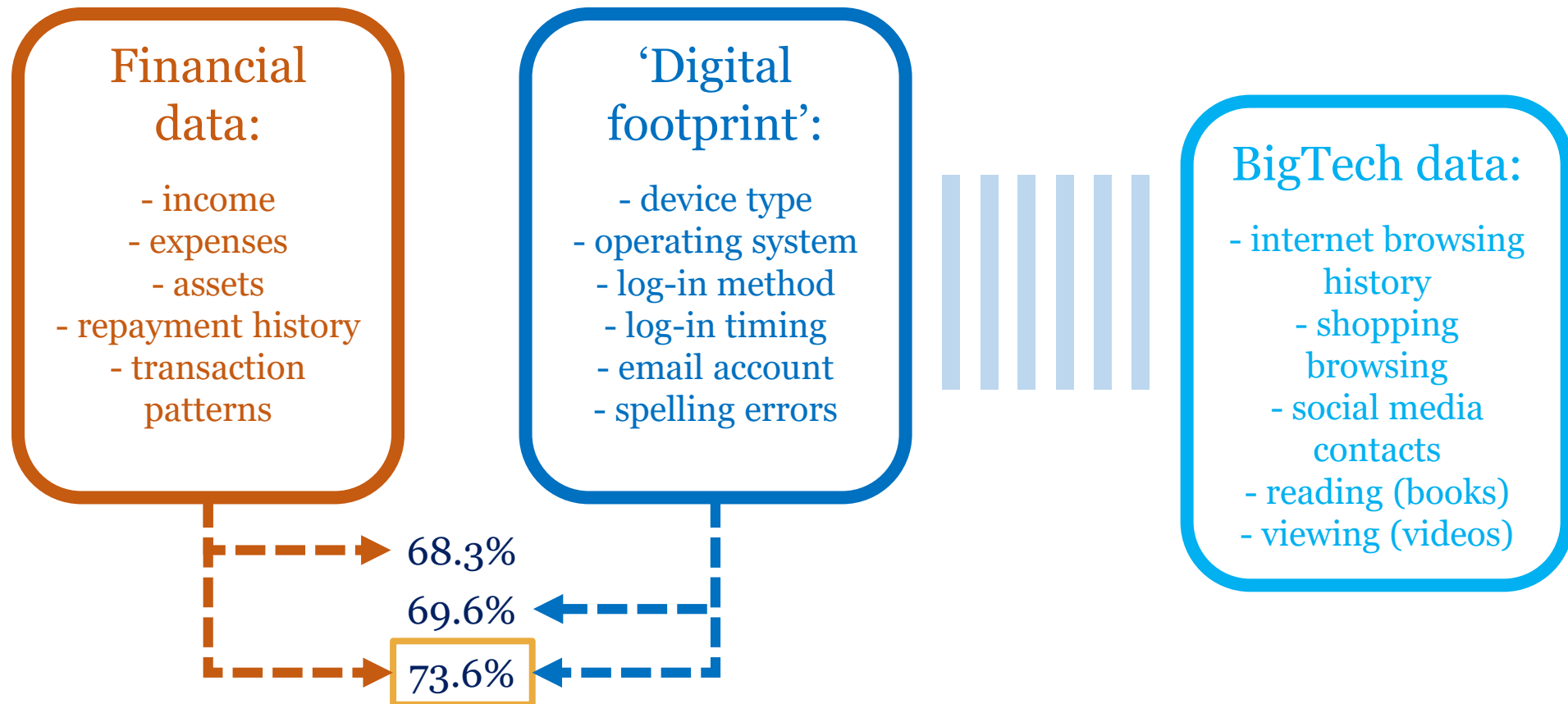


Source: BIS Working Paper 887, FinTech and BigTech Credit: a new database, September 2020; data for US, UK, EU, China, Australia and New Zealand.

2. Data Asymmetries Across Sectors

Most Open Banking regimes adopted do far provide are sector-specific, providing for one-directional data flows between banks and tech firms.

Such asymmetrical flows embed an opportunity for tech firms to perform analytics on data that others can't access.



Source: Tobias Berg, Valentin Burg, Ana Gombovic and Manju Puri, "On the Rise of the FinTechs – Credit Scoring using Digital Footprints," FDIC Working Paper Series, September 2018

3. COVID Amplification

Amidst the dramatic acceleration in digitalization trends through the economy, BigTech firms are increasingly embedded in our lives, and more important in the economy than ever.

Where the risk that asymmetrical data flows could have a distortive effect on competition may have seemed speculative in the pre-COVID environment, this sudden shift in dynamics has brought this scenario much closer to reality.

eCommerce:
Dramatic & accelerated shift
in consumer behaviors

Criticality of Data:
Centrality in the digital
economy

BigTech firms in society:
Increased reliance in various
essential services

Funding challenges for
smaller/newer FinTech firms

Industry market structure:
Consolidation?
‘Winner take most’?

4. Open Banking to Open Data

Financial services does not operate in a vacuum, and the digital economy accelerates the blurring of traditional sectoral boundaries. We need to look beyond Open Banking, towards Open Data, extending the benefits of consumer empowerment across sectors, and ensuring equal market access for all participants.

National initiatives taking initial steps to move beyond 'just finance'

Australia: Consumer Data Right

- Banks > Energy > Telcos > ...tech
- ACCC to opine on equivalent tech data sets

Brazil: Open Banking Resolution

- Reciprocal obligations on all participants
 - KYC/CDD data focus

Singapore: Personal Data Protection Act

- Common, cross-sectoral obligations
- Benefits in health, transport, infrastructure

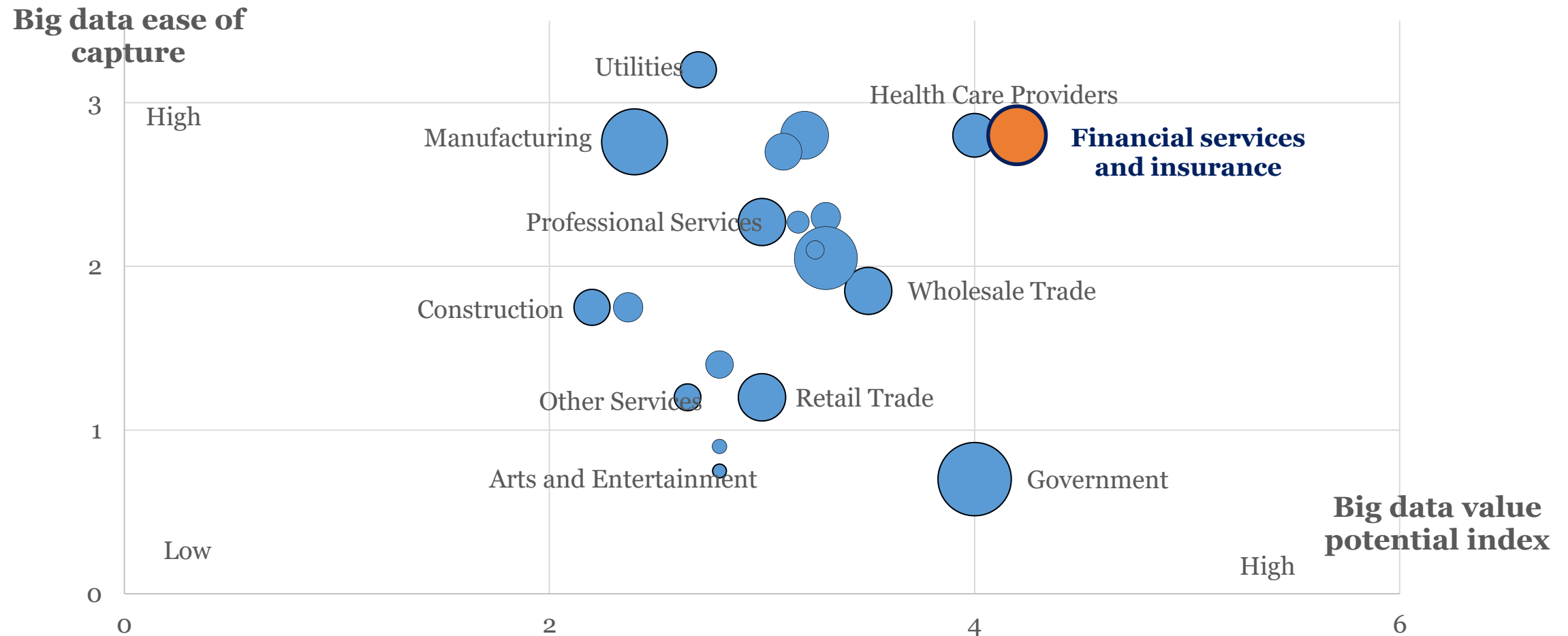
Other sector-specific (initially) developments emerging from outside of the financial sector

Massachusetts: Right to Repair

- Consumers' ownership of telematics data
- Standardized open data platform for repairers

5. Banks, Competition & Data: (i) the threat facing financial institutions

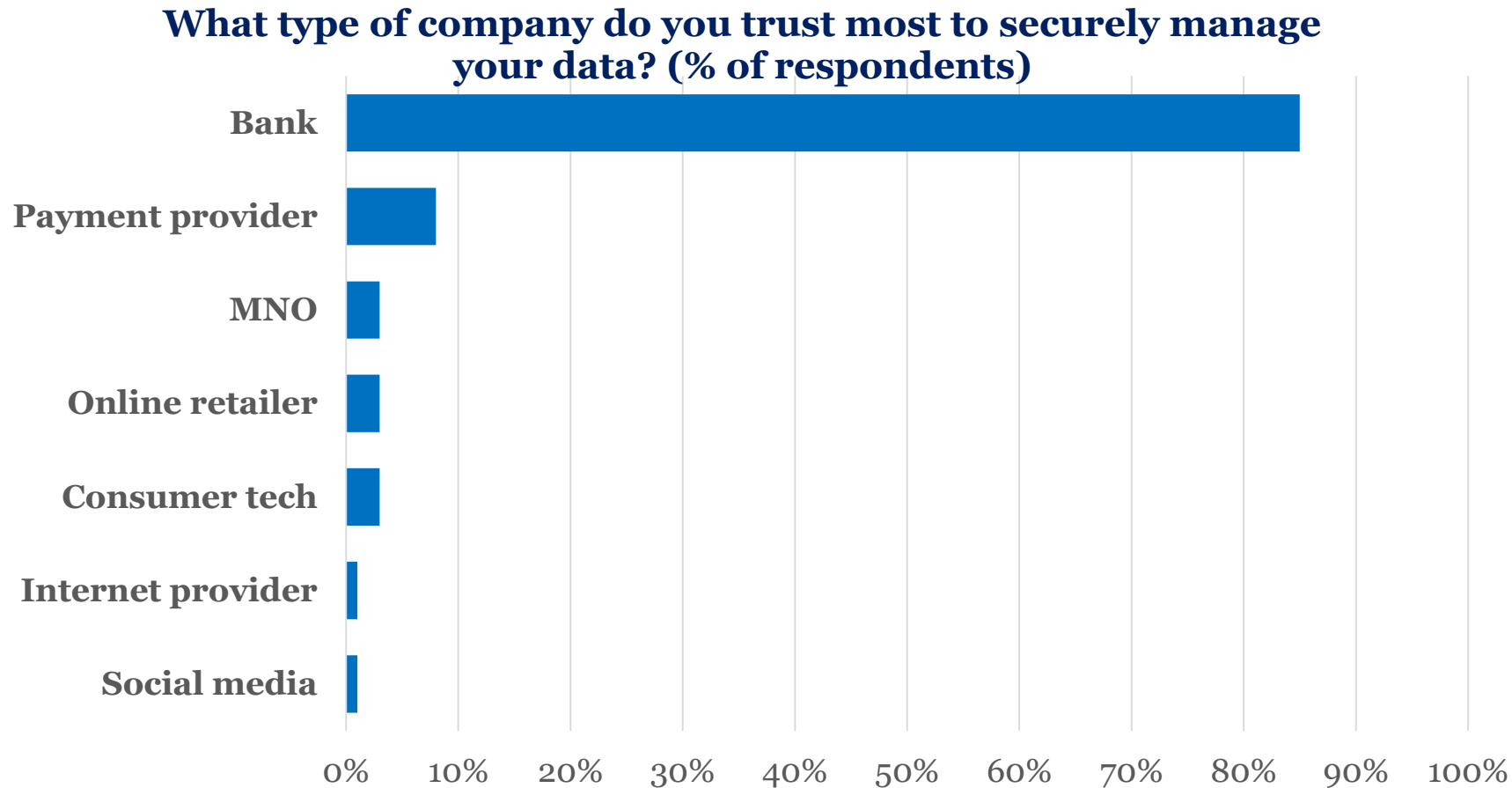
Financial services stands out as an attractive and accessible data-rich sector for potential new entrants, underlining the criticality of a business strategy that is integrated with a sophisticated data management strategy.



Source: Bank of England Future of Finance report, June 2019

5. Banks, Competition & Data: (ii) the opportunity: leveraging trust

Banks have been consistently recognized as trusted custodians of their customers' private data. This presents an opportunity – a potential differentiator – in the digital economy, but it also underlines the criticality of protecting and preserving that trust.



Source: Bank of England Future of Finance report, June 2019

6. Open Digital Identity

Digital Identity is a foundational technology for the digital economy, critical for any services that aspires to reach consumers and small businesses.

The Open Digital Trust initiative presents a similar concept to Open Banking: the use of secure APIs to facilitate the transfer of personal data points when instructed by the consumer.

