OPEN BANKING – REGULATORY PRINCIPLES

November 25, 2020

- 2020 - REGIONAL DEVELOPMENTS

- REGULATORY PRINCIPLES – REGIONAL CONTEXT
    - ENABLE LOCAL USE-CASES
    - PREPARE FOR DELAY – ENCOURAGE INDUSTRY ADOPTION
    - ALLOW FOR TRANSITIONAL PERMISSION BASED TECHNOLOGY
    - FACILITATE EARY ADOPTION OF STANDARDS
    - DRIVE/FORCE INDUSTRY COLLABORATION

- REGULATORY PRINCIPLES – OTHER KEY CONSIDERATION
    - ROBUST DATA GOVERNANCE
    - CONSUMER PROTECTION & LIABILITY
    - PHASING & NATIONAL OBJECTIVES
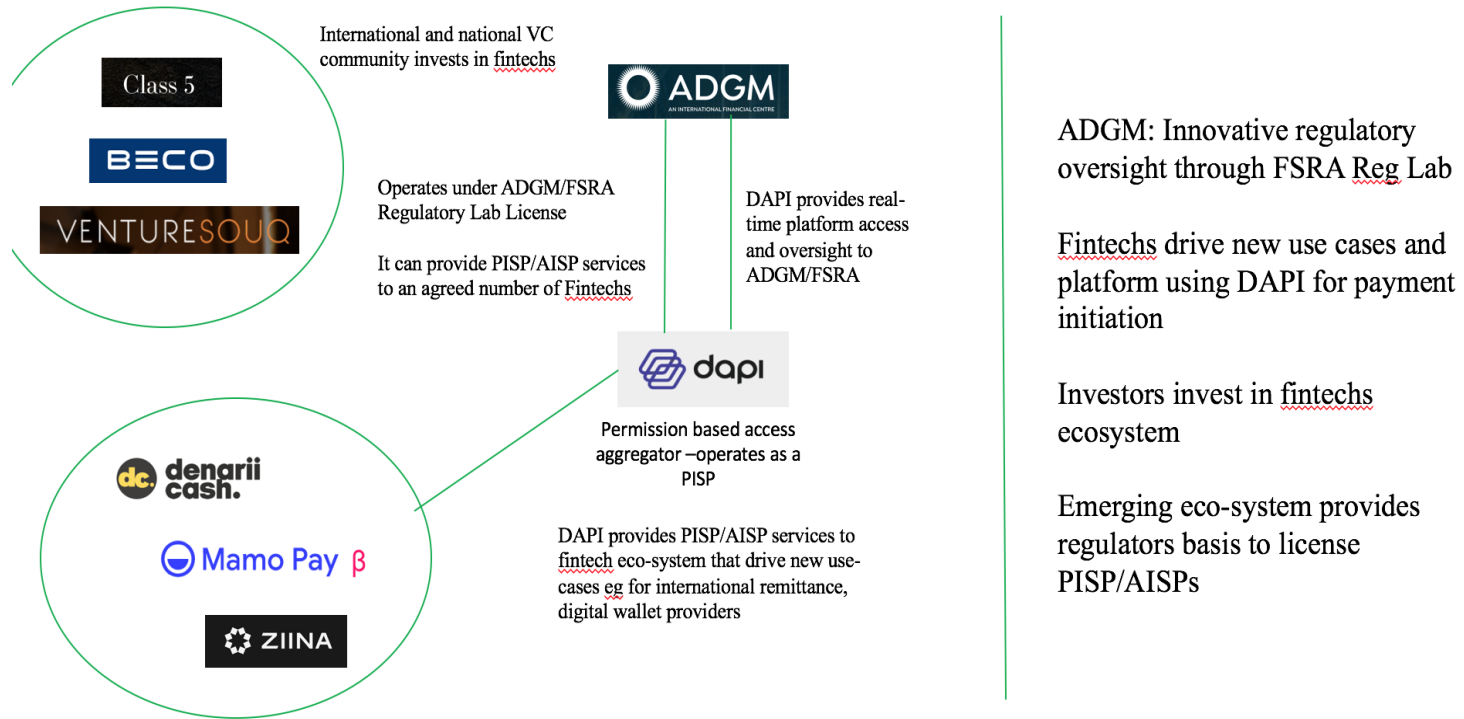   - REGULATED ENTITIES

ARAB MONETARY FUND

KSA AND UAE – REGULATORY & ECO-SYSTEM DEVELOPMENTS IN OPEN BANKING

- KSA – PAYMENT SERVICE PROVIDER REGULATIONS (2020) PROVIDE FOR LICENSING OF PAYMENT INITIATION & ACCOUNT INFORMATION SERVICE PROVIDERS (PISP/AISP)

- UAE – (1) DIFC & ADGM ➔ INITIATED PISP/AISP FRAMEWORKS – NO JURISDICTION OVER BANKS

   (2) UAE CENTRAL BANK – DRAFT RETAIL PAYMENT SERVICES & CARD SCHEME FRAMEWORK PROVIDES FOR LICENSING OF PISP & AISPs

- UAE – EMERGENCE OF EARLY OPEN BANKING ECO-SYSTEM

صندوق النقد العربي
ARAB MONETARY FUND

UAE – USE CASES & ECOSYSTEM EMERGED PRIOR TO REGULATION

Case Study: ADGM – Powering Open Banking Use Cases and Eco-System

International and national VC community invests in fintechs

Operates under ADGM/FSRA Regulatory Lab License

It can provide PISP/AISP services to an agreed number of Fintechs

DAPI provides real-time platform access and oversight to ADGM/FSRA

Permission based access aggregator –operates as a PISP

DAPI provides PISP/AISP services to fintech eco-system that drive new use-cases eg for international remittance, digital wallet providers

ADGM: Innovative regulatory oversight through FSRA Reg Lab

Fintechs drive new use cases and platform using DAPI for payment initiation

Investors invest in fintechs ecosystem

Emerging eco-system provides regulators basis to license PISP/AISPs

2 MODELS OF OPEN BANKING – PSD 2 vs PISP/AISP

MODEL 1 - MANDATORY

MANDATED OPENING OF API INFRASTRUCTURE ✔

TIMELINES FOR OPENING ✔

INDUSTRY SPECIFICATIONS & STANDARDS ✔

CONTRACTUAL AND COMMERCIAL GUIDELINES ✔

TRANSITIONAL MECHANISM PRIOR TO WIDE-SPREAD AVAILABILITY OF APIs ✔

MODEL 2 - VOLUNTARY

MANDATED OPENING OF API INFRASTRUCTURE ✗

TIMELINES FOR OPENING ✗

INDUSTRY SPECIFICATIONS & STANDARDS ✗

CONTRACTUAL AND COMMERCIAL GUIDELINES ✗

TRANSITIONAL MECHANISM PRIOR TO WIDE-SPREAD AVAILABILITY OF APIs ✗

THINKING THROUGH OUTCOMES – VOLUNTARY MODEL

- WIDE-SPREAD AVAILABILITY OF API INFRASTRUCTURE WILL TAKE LONGER – EU (MANDATORY) TOOK OVER 3.5 YEARS – INNOVATION DELAYED

- NOT ALL BANKS/FIs WILL BE READY OR WILLING TO PARTICIPATE – MARKET PENETRATION WILL BE LOWER

- FRAGMENTED APPROACH TO STANDARDS IF NO GUIDANCE –INCREASE COSTS OF IMPLEMENTATION ON INDUSTRY

- JAPAN - EXAMPLE OF VOLUNTARY MODEL NOT GAINING TRACTION

ENABLE LOCAL USE-CASES

ENCOURAGE EARLY PRE-REGULATORY USE-CASES

ALLOWS FOR BETTER CONTEXTUAL REGULATION

EXPERIMENTAL LICENSING FRAMEWORKS

EU, UK, JAPAN - PRECEDENTS

ENCOURAGE EARLY INDUSTRY ADOPTION – VOLUNTARY MODEL

ENCOURAGE EARLY INDUSTRY COLLABORATION – NIGERIA OPEN BANKING FONDATION

TIMELINES FOR CONTRACTS (JAPAN)

CONRACT REGISTRIES (JAPAN)

PISP/AISP – CANNOT ENTER INTO AGREEMENTS – SAMA – BANK "MUST GRANT ACCESS"

ALLOW FOR INNOVATION – PERMISSION BASED TECHNOLOGY

EU, UK, JAPAN, US ALL HAVE ALLOWED

"PERMISSOON BASED TECHNOLOGIES" BEFORE WIDE-SPREAD AVAILABILITY OF OPEN API INFRASTRUCTURE

SCREEN SCRAPING PLUS

LICENSED PISP/AISP

DIGITAL CERTIFICATES

EARLY ADOPTION OF STANDARDS

OVERSEE INDUSTRY COLLABORATION

MAINTAIN A VOLUNTARY MODEL BUT ESTABLISH OR ENCOURAGE STANDARDS

MONETARY AUTHORITY OF SINGAPORE (MAS) SET OUT INDUSTRY PRINCIPLES FOR API INFRASTRUCTURE IN 2016 DESPITE VOLUNTARY MODEL

INDUSTRY DEVELOPED STANDARDS – FDX

ENCOURAGE EARLY INDUSTRY COLLABORATION – NIGERIA OPEN BANKING FOUNDATION

PROGRESS REPORTING MECHANISMS

INDUSTRY WORKING GROUPS

DATA GOVERNANCE AND PROTECTION

DATA BEING SHARED BETWEEN BANKS – PISP/AISP – APPLICATION DEVELOPERS

ESTABLISH CONTRACTUAL REQUIREMENTS INTHHE ABSENCE OF DATA PROTECTION LEGISLATI

CONSUMER PROTECTION & LIABILITY

LIABILITY FRAMEWORKS BETWEEN BANK/FI, PISP/AISP, AND APPLICATION DEVELOPER

CYBER-SECURITY

LICENSING REQUIREMENTS FOR PISP/AISPS

INSURANCE

DISPUTE RESOLUTION

PHASING & NATIONAL OBJECTIVES

PHASING APPLIED TO NATIONAL OBJECTIVES

IS DATA FIRST AND PAYMENT SECOND THE RIGHT APPROACH

MEXICO – DATA LIMITED TO ATM LOCATIONS