



Overview

A number of organizations have recently indicated their interest in sponsoring industry-led working groups to create standards around the design and implementation of open banking regimes in both Canada and the United States. As the trade association in the North American market representing the providers of financial technology-based tools – and as a chapter of the global organization that has been responsible for many elements of the design of open regimes around the world – FDATA submits, based on its experience in this space, that the following ingredients are critical elements of any well-designed open banking standards group.

Scope

Any successful working group should be tasked with developing consensus standards around critical policy considerations where possible and, where not possible, articulating to government stakeholders the need for and recommended shape of their intervention. Recognizing that technological standards will be a critical element of the output of any successful open banking standards-setting group, FDATA suggests that the work currently being contemplated in this regard by other organizations globally be considered as part of a broader open banking standards-setting body. Technology, appropriately scoped, is one of many factors that must be addressed to successfully deliver open banking.

Proposed Composition

It is imperative that all stakeholders with an interest in the deployment of the new regime be represented in an open banking standards-setting body. To be successful, this must also include government representatives, whose primary role should be to encourage participants to look beyond commercial interests and keep at the center of the body's work the consumer's and small business' best interests at all times. The following discrete categories of participants should be considered as essential, co-equal representatives:

Technology and financial technology organizations

Large financial institutions (i.e. National and Regional)

Small financial institutions (i.e. Community Banks and Credit Unions)

Broker-dealers

Lenders

Consumer representatives

Government stakeholders (i.e. Policymakers and Regulators)

Proposed Subcommittees

To best focus the group's work on the critical areas of concern for which solutions are required to deliver an open banking framework, FDATA North America proposes that an effective standards-setting body create seven subcommittees, each staffed by experts from the body's participants, with three co-chairs selected to lead each group: one from the technology/financial technology sector, one from the financial institution community, and one from the consumer representative community. These subcommittees should focus on the following areas:

Scope: What account types will be covered as part of the voluntary standards to which the group agrees? How will the industry provide for consideration of additional account types and data fields as technology progresses?

Permissioning: How is the end user's permission obtained and enforced through the ecosystem? What disclosures should be made to the consumer? How are applicable requirements of privacy regulations, standards and cultural norms applied? How can accepted data principles (e.g. minimization) be woven into the framework?

Accountability and Liability: How can the technical and market barriers that currently imply or require that financial institutions are liable for consumer financial harm be addressed such that the entity responsible for consumer financial harm is the entity responsible for making the consumer whole? Are there elements of traceability that can be built into the standards?

Legal and Regulatory: What regulatory and legal constraints currently exist that limit the ability of open banking to take hold and how can they be addressed, either between or among market participants or by regulatory intervention?

Technology: How can the work being done by technology standards-setting groups be informed by and integrated into the product being delivered by the open banking standards-setting body?

Governance: How will open banking be delivered in the market and what processes will exist to address any disputes that arise once the framework has been stood up? What entity or entities is/are responsible for determining fault in the event of breach?

Oversight: What role do regulators play in the registration and issuance of certifications or licenses to third parties entering the marketplace? How will the objectives of ensuring consumer interests - data ownership, safety, privacy - be measured, and when?