

Executive summary

The timely development of an Open Banking Service (the open banking API standards and frameworks required by the Competition and Markets Authority remedy) has the potential to dramatically improve competition and innovation in UK banking – benefiting individuals and businesses.

As financial services are brought into the API economy, it is expected that existing providers and new entrants will compete to dramatically improve existing products, making them more competitive, intuitive, personalised, convenient and integrated.

The customer's interests and competition in the marketplace will be at the heart of this initiative.

Customers will benefit from a suite of new propositions enabled through open APIs (Application Programming Interfaces) that will, for example, make it easier to compare products and switch to better deals.

We will also ensure that customers are fully protected against privacy and security risks and fully informed of the potential benefits and risks of sharing their financial information with third parties.

The Implementation Trustee

Andrew Pinder CBE has been appointed as Implementation Trustee/ Executive Chair of the Implementation Entity following a search and selection process involving the CMA. He will be working hands-on at least three days a week.

No irreversible technical, investment, nor governance decisions have been taken in advance of the Trustee's appointment.

Implementation entity – governance, composition and budget

The Trustee will be supported to take fast and agile decisions through the Implementation Entity Steering Group (IESG), which he will chair. It will comprise of one representative from each of the nine institutions, five representatives responsible for convening the Advisory Groups, two customer representatives (one consumer, one small business) and four observers - one each from HM Treasury, the Payment Systems Regulator, Financial Conduct Authority and Information Commissioners' Office.

The Implementation Entity (IE) must draw on the expertise of all stakeholders in the interests of customers.

There will be Advisory Groups open to all interested parties to help shape the development of the standards. Advisory Group representatives will represent the

views of their constituency and assist the IE to bring suitably qualified experts into the work streams, ensuring the representation of stakeholders' views in the programme of work.

In support of wide stakeholder engagement and input, there will be an open sharing of IE outputs during the development of the standards via the IE Advisory Group and website. There will be a variety of other communications including regular information bulletins and events, to ensure the stakeholder community is kept updated.

The governance process will follow recognised industry good practice, such as that seen through the development of ISO standards.

The IE will be resourced to meet the CMA's mandate. A budget of £2 million has been agreed with the nine named institutions to mobilise the programme and make an assessment of the resource required to deliver the Open Banking Service. Funding will be apportioned between the nine institutions based on market share.

A Programme Director has been appointed and at this stage the expectation is that there will be a well-resourced, independently led core programme team comparable with other collaborative programmes.

Reference and product information data sets

In considering the approach to reference and product information, our initial analysis has identified a lack of suitable open standards. We will therefore need to establish the standards from the ground up. We should not underestimate the inherent complexity in accurately describing the parameters that define the operation of a financial services product.

In doing so, we will engage with the relevant users of the APIs and other key stakeholders to ascertain their data requirements and establish a core proposition. In addition to the core proposition, there will be an extensible schema of optional elements, which will be more loosely defined.

In parallel to this consultation, we will establish the common set of reference data elements available across the nine financial institutions and begin to understand the transformations required to map these to a common standard.

Delivery of the initial API standard by Q1 2017 will be challenging. For example, considerable detailed legal and technical work will be required to agree precisely the personal current account (PCA) and business current account (BCA) products and data that are in scope.

Customer transaction data sets

The sharing of customer transaction data is much more complex. It requires, for example, robust security arrangements and identity management to protect this far more sensitive information. These protections will need to consider both the General Data Protection Regulations and the 4th Anti Money Laundering Directive.

To ensure an efficient outcome for customers, the APIs we develop will allow adopters to comply with the Payment Services Directive (PSD2) requirements. We must seek to minimise the potential for any customer confusion that could have arisen in the absence of this constancy. We aim to establish a clear technical framework to facilitate the safe introduction of PSD2, without removing the ability for innovation at the edges.

We will align write functionality with the payment initiation services that apply under PSD2.

The work programme will need to iterate with the clarification of standards for PSD2 and a specific Advisory Group will be set up to help achieve a successful outcome. The European Banking Authority have recently published the initial draft of the Regulatory Technical Standards (RTS) for PSD2, which provides some additional guidance, however there remain many open questions that are unlikely to be resolved before mid-2017 and the RTS are not likely to be final until late 2018.

Resolving the competing tensions across this complex regulatory landscape will be challenging, as there are obvious conflicts and contradictions that need to be balanced.

To safeguard customers, it may be important to establish some kind of widely recognised 'trust mark' that institutions participating in the Open Banking Service can display. This should be reinforced through a 'white list' of certified participants available via the central registry. The central registry will also form the centre of the inter-institution trust model, required to ensure that technical measures can be implemented to minimise the risk of rogue parties attempting to impersonate institutions to defraud customers.

Operational governance

The work programme will determine the enduring structure of the Open Banking Authority including the governance and maintenance for the Open Banking Service and the development of further API standards required to improve customer outcomes from UK financial services.

