

***Response from Mastercard to
the CMA consultation on 'The
future oversight of the CMA's
open banking remedies'.***

MARCH 2021



About Mastercard

Mastercard is a public-listed, global payments technology company. In May 2017, Mastercard completed its acquisition of Vocalink, the current operator of a significant element of the UK's payments infrastructure. This partnership has brought together real-time bank account payments and the Mastercard payments network, providing services for consumers, businesses and the public sector all under one roof.

Mastercard and Vocalink play a vital role in the economy. Together we develop and provide the underlying payments technology that connects billions of people, millions of businesses and financial institutions, and thousands of national and local governments in more than 210 countries and territories around the world.

We're developing market-leading applications and services to enable and safeguard the open banking ecosystem, including Open Banking Connect and Open Banking Protect. More information on Mastercard's Open Banking solutions can be found here: <https://openbanking.mastercard.com/>

Introduction

Since its launch in January 2018 Open Banking continues to pass new milestones, with over 3 million distinct people and businesses having used the ecosystem, surpassing 700 million API calls in January 2021, through the services offered by over 100 live third-parties live in the UK¹. Open Banking plays a key role in the growing global phenomenon of consumers and businesses owning and controlling the sharing of their account information, and utilising new ways to initiate payments for goods and services.

The oversight provided by the Open Banking Implementation Entity to carry out the CMA's Open Banking Remedies set the scene for the UK becoming a global leader in regulatory led Open Banking. It is important that future governance is implemented that allows the UK ecosystem to continue to thrive and for competition to flourish.

Summary

Mastercard is largely supportive of the UK Finance 'Open Banking Futures' proposal ('Proposal'). However, there must be careful consideration of the timing of decisions on the funding model of the Future Entity to ensure that these do not influence or pre-judge the outcome of the proposed service review. This includes whether or not the operation of centralised services are offered to the competitive market.

The Proposal includes a 6-month service capability review period, with a view to enabling the new Chair and Board to determine which services are best offered directly by the Future Entity or alternatively should be procured from the competitive market. The UK's Open Banking market is by its nature competitive and innovative, and the Future Entity should seek to promote market driven solutions for centralised services where reasonably possible, such as dispute management, directory services and helpdesk functions. The outcome of this 6-month review should therefore be considered when considering the appropriate future funding model.

In conclusion, the scope of the services to be offered by the Future Entity should be decided prior to the final funding model being agreed as the scope of services will directly impact the funding model. Mastercard is of the view that where it is reasonably possible to do so, services should be procured and operated by the competitive market rather than the Future Entity.

¹ <https://www.openbanking.org.uk/>

Question Responses

To provide concise feedback only the questions with a response have been included in this document.

Independent and accountable leadership

- d) *Does the initial funding model envisaged risk undermining the Future Entity's ability to act independently because of the potential tension between the interests of the CMA9 (who will be providing all of the funding initially) and the objectives of the independent Chair? Can the CMA be confident that the Future Entity governance structure (including an independent Chair, NEDs and the Advisory Committee) will be sufficient to resist pressures that may arise as a consequence? And if we cannot be confident what steps should be taken to mitigate this risk?*

There is a risk that making a final decision on the proposed funding model for future years before the proposed service review has been undertaken could have the effect of inappropriately influencing the decision on which services should be outsourced. Accordingly, it would be important for the proposed 6-month review period to determine which services should be outsourced to have been completed prior to final decisions on the funding model and approach.

Adequately resourced to perform the functions required

- a) *Does the proposed funding model give enough confidence about the resourcing of the Future Entity?*

As outlined in the summary above, the funding model should only be finalised once the review of which services should be provided by the competitive market versus the Future Entity has been completed. This would increase confidence that future funding and resourcing levels would be appropriate to match the services that the Future Entity will provide vs the services that will be procured from the competitive market.

Sustainability / adaptability

- d) *It could be argued that the maintenance and development of payment initiation standards should be dealt with separately from account information and as a scheme. What should be the relationship between the new arrangements and the oversight of payment systems more generally?*

Both payment initiation and account information services constitute an exchange of an instruction (one to share data, one to initiate a payment). Therefore, the maintenance and development of payment initiation standards and account information standards should be managed jointly to ensure a continued alignment of standards.

Furthermore, we see a need for a range of additional standards, in areas such as consumer protections and disputes, and it is our view that those additional standards would be most effectively introduced and managed via a scheme. Similarly to the technical standards, these additional standards should be aligned across, and applicable to, both payment initiation and account information services. They should be established on principles that will facilitate global interoperability. In Mastercard's view, establishing and

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operating such a scheme is most effectively achieved by an industry-led initiative and as such should not be part of the Future Entity's remit.

Questions for consultation

- *Our working assumption is that it would not be appropriate for an industry-led body – such as the Future Entity - to have responsibility for compliance monitoring of the conduct of some of its members. However, we envisage that whatever entity does undertake compliance monitoring will rely in part at least on data provided by the successor body to OBIE which it may also use for its own purposes. Is this reasonable? Could, with appropriate governance, the proposed Future Entity be given the responsibility for monitoring the compliance of the CMA9 with the Order?*

Mastercard agrees the compliance monitoring activity appears sufficiently different from the proposed activities of the Future Entity, and that there would be value in having an independent compliance monitoring body. The Future Entity can support such a body by providing data and insight on the ecosystem. In line with the CMA objectives of facilitating competition, the data gathered by the Future Entity which is then provided to the independent compliance monitoring body should also be made available to the wider market.

- *Are there any other issues regarding transition arrangements which the CMA should be aware of?*

The future funding model of the Future Entity should be intrinsically linked to the services the Future Entity provides to the market, so the Chair and Board's review on market driven services should be completed before the final funding model is agreed.