JOINT REGULATORY OVERSIGHT COMMITTEE

FINANCIAL CONDUCT AUTHORITY

Payment Systems Regulator

JROC's proposals for the design of the Future Entity for UK open banking

Joint Regulatory Oversight Committee

April 2024

How to respond

The Joint Regulatory Oversight Committee (JROC), consisting of the Financial Conduct Authority (FCA), Payment Systems Regulator (PSR), HM Treasury (HMT) and the Competition and Markets Authority (CMA) invites comments on the questions set out in this document setting out JROC's proposals for the design of the Future Entity for UK open banking, summarised in Annex 1. Comments should reach us by 20 May 2024.

Comments may be sent by email to jroc@fca.org.uk

Alternatively, please send comments in writing to:

Sue Rossiter, Open Banking Policy
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

We are proposing to publish an account of the representations we receive and how we have responded to them. We may also publish a list of the names of the respondents, where those respondents have consented to the publication of their names. In your response, please indicate whether or not you consent to the publication of your name. The comments provided as part of your response will be provided to all members of JROC.

Contents

1 Introduction

Open banking

1.1 We are on a journey to delivering an open banking ecosystem in the UK which is efficient, safe, secure, and commercially viable, and which provides a trusted means of making payments and sharing financial data to unlock a more productive, data driven and modern UK economy. An ecosystem, in turn, that will deliver benefits to consumers, merchants, Third Party Providers (TPPs) and Account Servicing Payment Service Providers (ASPSPs).

1.2 In April 2023, we set out our Joint Regulatory Oversight Committee (JROC) vision and recommendations for the future of open banking, and the immediate steps we considered necessary. Since then, we have been working across the JROC authorities, and with industry, to make progress on the key steps on this journey.

1.3 As set out in those recommendations, we remain committed to maintaining the UK's leadership in open banking and we are glad to see this ambition supported by the Future of Payments Review 2023,[1] chaired by Joe Garner. As part of our work, we are looking at all aspects of open banking, and how to establish the regulatory framework to encourage innovation in the form of premium APIs, looking at the protections that must be in place as well as the incentives to innovate, experiment, and enhance the products and functionality within open banking. In this document, we are focussing on the body at the heart of the ecosystem, and its future, setting out recommendations, and seeking input on various questions.

Need for a Future Entity

1.4 As part of the Retail Banking Market Investigation Order 2017 (the CMA Order), which established open banking in the UK, the nine largest UK banks and building societies, known as the CMA9,[2] were required to set up and fund a central standard setting body for open banking. This body is known as the Implementation Entity and was established as Open Banking Limited (OBL). JROC is now setting out its recommendations in relation to the centralised entity that will ultimately replace OBL. This 'Future Entity' will, in due course, take on the development and delivery of both Order activities and activities beyond the remit of the CMA Order.[3]

1.5 In this report JROC is consulting on various recommendations about the journey to the Future Entity, as well as recommendations around the immediate creation of an 'Interim Entity'. The Interim Entity will exist in an interim regulatory phase, before the full transition to the Future Entity occurs, along with the implementation of the regulatory framework which is further described in paragraphs 1.25 to 1.27 below.

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1 https://www.gov.uk/government/publications/future-of-payments-review-2023

2 NatWest Group plc, Lloyds Banking Group plc, Barclays Bank plc, HSBC Group, Nationwide Building Society, Santander UK plc (in Great Britain and Northern Ireland), Danske Bank, Bank of Ireland (UK) plc and AIB Group (UK) plc.

3 For a summary of the continuing obligations under the Order please see the CMA decision on roadmap completion, paragraph 4.3.

1.6 In April 2023, JROC made recommendations for the next phase of open banking in the UK. In these recommendations, we stated that we expect "the Future Entity to play a central role in the ecosystem. Its purpose and objective will be to support the development of new, and improve existing, open banking propositions. This will promote competition and innovation within the financial sector for the benefit of consumers and businesses. It will do so by improving existing and developing new standards and guidelines for all ASPSPs and TPPs which, in turn, will ensure consistent user experiences and interoperability across use cases".

1.7 JROC committed to publishing a decision on its recommended structure, governance, and funding model for the Future Entity in Q1 2024, along with immediate steps to take its recommendations forward. JROC received, and is grateful for, significant input from stakeholders across the market, and this has informed JROC's recommendations around the Interim and Future Entities. In light of the diversity of the ecosystem, JROC is also inviting final input into a select number of these recommendations to ensure that all aspects of the ecosystem have had the opportunity to input into the final recommendations and designs of both organisations.

JROC recommendations and consultation

1.8 In Part 2 of this document JROC sets out its recommendations around the proposed shape of the Future Entity, while Part 3 contains recommendations for the creation of an Interim Entity. There are a number of areas where JROC is keen to ensure that the recommendations work for the ecosystem, and therefore JROC is keen to receive comments on these questions. In addition, we are keen to learn lessons as the entities take shape and recognise that further decisions may need to be taken in relation to them.

1.9 To ensure open banking achieves its full potential in the UK, JROC continues to seek the support of the entire open banking ecosystem in order to take the next steps. We have set out clear recommendations and expectations in this paper, on which we welcome input. These show how we expect the future state to work, and the next steps to get there. We expect legislation supporting these recommendations to be laid in due course. Following consultation, there are actions for OBL and the ecosystem as a whole to take forward, which JROC will monitor as they progress.

Inputs into this work

1.10 JROC's April 2023 recommendations built on the work of the Strategic Working Group, which published a report in February 2023.[4] The Strategic Working Group was a non-decision-making consultative forum to enable industry and stakeholders to share their views and input into the vision for the future of open banking. A summary of the report is included at Annex 6.

1.11 In summer 2023, JROC then established the Future Entity Working Group (FEWG), under which there were three sub-working groups set up to make recommendations on the capabilities, funding, and governance of the Future Entity. The FEWG report is being published alongside this paper and JROC is grateful for the recommendations from that

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4 https://www.openbanking.org.uk/wp-content/uploads/SWG-Report-The-Future-Development-of-Open-Banking-in-the-UK-Feb-2023.pdf

working group which have helped to shape the recommendations set out in this document.

1.12 JROC is also grateful for the contributions made by OBL to this workstream and appreciates the constructive comments and challenge it has received.

What are we looking to achieve through the establishment of an Interim Entity and the Future Entity?

1.13 The Future Entity will be at the heart of the open banking ecosystem, it will continue to set the standards for open banking and ensure that the foundations laid under the CMA Order are retained and progressed.

1.14 Initially, the Interim Entity will progress the parts of the non-Order JROC workstreams currently being carried out by OBL. Subsequently, and subject to a long-term regulatory framework, it is intended that the Future Entity will take over the functions of the Interim Entity as well as the Order workstreams carried out by OBL and overseen by the CMA.

Need for an Interim Entity

1.15 JROC established five non-Order workstreams[5] to progress open banking over a two-year period. Currently OBL are progressing or helping to progress these workstreams as listed below. A more detailed summary of the workstreams is included at Annex 9.

Workstream 1	Levelling up availability and performance
Workstream 2	Mitigating the risks of financial crime
Workstream 3	Ensuring effective consumer protection if something goes wrong
Workstream 4	Improving information flows to TPPs and end users
Workstream 5	Promoting additional services, encouraging innovative use cases (using non-sweeping variable recurring payments (VRP) as a pilot).

1.16 In this document these workstreams are referred to as JROC non-Order workstreams.

1.17 The JROC report of April 2023 stated that the Future Entity could be established in the interim state before the long-term regulatory framework is in place and that OBL, in the meantime, should undertake JROC non-Order work in accordance with alternative governance arrangements.

1.18 The funding for these JROC non-Order workstreams being progressed by OBL has, to date, been provided on a voluntary basis by the CMA9, for which we are grateful. As these workstreams are for the benefit of the entire ecosystem, not just the CMA9, JROC considers that a clearer separation of the Order and non-Order activities is now necessary.

5 Further details of the workstreams set out in Annex 9.

1.19 To effectively separate non-Order activities and order activities, enabling them to be progressed efficiently, JROC has considered various options including continuing the current arrangement under a single legal entity (but with a separate funding model) and separate legal entities.

1.20 Until the long-term regulatory framework is in place and transition to the Future Entity is complete, JROC is recommending that an Interim Entity is established as a separate legal entity with the purpose of undertaking the JROC non-Order workstreams. This will be a key step to the establishment of, and transition to, the Future Entity.

Other considerations

1.21 JROC members are working closely with OBL to prepare for the implementation of the recommendations for an Interim Entity immediately after consultation, in order to progress the JROC non-Order workstreams. Whilst the recommendations below have been prepared with a view to being implemented by OBL, the final decision to establish an Interim Entity in the form recommended by JROC below, will be for the OBL Board to take and the practical steps will need to be taken in close co-operation with them.

1.22 The CMA will need to ensure that the creation and ongoing operation of the Interim Entity does not interfere with OBL's primary function of facilitating the implementation and maintenance of the Order, which will continue to sit within OBL. Whilst JROC has sought to take this into account when preparing these recommendations, the detailed design and implementation of the Interim Entity will require all parties to work closely with the CMA.

1.23 In the longer term, we anticipate that legislation will give the FCA powers in relation to data-sharing schemes and relevant interface bodies, including the Future Entity in respect of a future open banking Smart Data scheme. The PSR, meanwhile, will continue to maintain regulatory oversight of designated payment systems and participants within them. In addition, the government intends to set out further detail on its priorities for the payments ecosystem in its National Payments Vision as soon as possible this year including responding to the Future of Payments Review recommendations on open banking.[6] The FCA, PSR and other JROC members will work closely to ensure regulatory oversight of all aspects of open banking is well-coordinated under the long-term regulatory framework.

1.24 In addition, as work on the Interim Entity progresses, lessons learned from the establishment and operation of this entity will be taken into consideration when designing the appropriate regulatory requirements for interface bodies such as the Future Entity, together with developments within the ecosystem itself.

Long Term Regulatory Framework for Open Banking

1.25 The FCA, PSR and CMA are working closely with the government to provide input in relation to the long-term regulatory framework for open banking so that it will be readily scalable to support potential future data-sharing schemes, such as open finance initiatives. The government's intention, as set out in the 2023 Autumn Statement, is to legislate to

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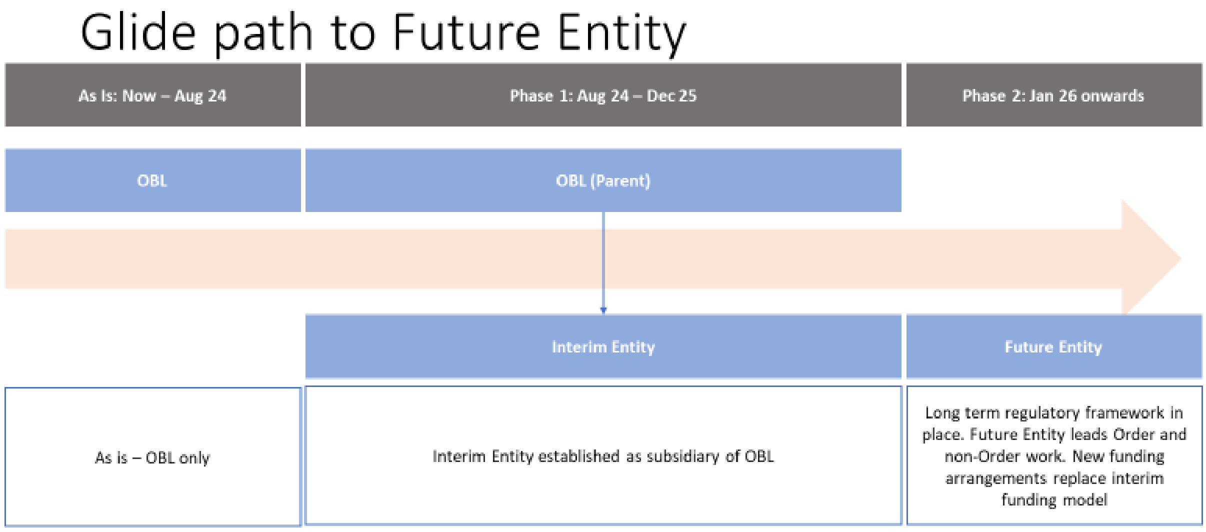
6 https://www.gov.uk/government/publications/future-of-payments-review-2023

support the long-term regulatory framework for open banking, including through new powers in the Data Protection and Digital Information Bill (DPDI Bill), which is currently progressing through Parliament.

1.26 The DPDI Bill provides a legislative framework that allows the government to introduce Smart Data schemes to enable the secure sharing of data, at the customer's request, with authorised third parties. The government will be able to establish and mandate participation in Smart Data schemes across sectors via secondary legislation. Secondary legislation may make provision about the sharing of customer and business data, enforcement of Smart Data schemes, fees and levies, interface bodies and FCA powers in relation to financial services data interfaces.

1.27 Subject to passage of the DPDI Bill, HM Treasury intends to use these powers to create a regulatory framework for data-sharing in open banking smart scheme when parliamentary time allows. This will sit alongside existing financial services and payments legislation, creating a long-term regulatory framework for open banking that is scalable and adaptable to new technologies as they evolve, while also enhancing regulatory oversight of the ecosystem and enabling greater consumer protections. Our ambition is that the transition from the current arrangements to the Future Entity will happen over the next two years, contingent on establishing a long-term regulatory framework for open banking, with indicative timings set out below.



Current scope of open banking

1.28 Currently, access to customers' financial data through open banking is limited to payment account information and access for the purpose of payment initiation. The scope of this access is defined by the CMA Order and the requirements of the Payment Services Regulations 2017 (PSRs 2017).

1.29 Open banking has come a long way since the CMA's retail banking market investigation in 2016, the introduction of the CMA Order, and the implementation of the PSRs 2017. According to data collected and published by OBL in March 2024,[7] 13% of digitally active

7 https://openbanking.foleon.com/live-publications/the-open-banking-impact-report-2024-march/

consumers and 18% of small businesses in the UK are now actively using innovative open banking enabled products and services to manage their money and to make payments. On open banking payments specifically, volumes more than doubled in the first six months of 2023 compared to the same period in 2022, with a total monthly value estimated at £4.5bn.

1.30 It is encouraging to see momentum on open banking being sustained and adoption increasing at a steady pace. In parallel, there are opportunities to extend open banking-like data-sharing and third-party access to a wider range of financial sectors and products, such as savings, investments, insurance, pensions, and mortgages. This is commonly referred to as open finance.

Smart Data

1.31 Open banking is the flagship Smart Data scheme in the UK, and its success will be built on and new schemes extended into other sectors such as energy and transport. The Department for Business and Trade published its Roadmap for Smart Data[8] on 18 April. This sets out the government's vision for a Smart Data Economy, with the aim of unlocking an estimated £27.8 billion increase to UK GDP, via greater personal data mobility.[9]

Existing work on open finance

1.32 Work on open finance is proceeding across the ecosystem, and there are various initiatives to explore the benefits to consumers which may be offered by open finance. This includes work being conducted by UK Finance in relation to cash savings and how open banking technologies can benefit other industries. The FCA hosted an open finance sprint in November 2022 which proposed the establishment of an Implementation Entity, which would co-ordinate requirements across different sectors as well as implementing common or interoperable standards. Participants thought that this entity could mirror or evolve out of the OBL but with a wider purview across all financial sectors.

1.33 In addition, the Centre for Finance, Innovation and Technology (CFIT) was launched in February 2023. CFIT's first 'coalition' published a report on open finance in 2024[10] focused on opportunities for increasing lending to SMEs and helping vulnerable consumers. The Coalition found that substantially more lending would be made available to small businesses if specific additional data sets were made more widely available to credit reference agencies and small business lenders. Furthermore, by increasing the automation of manual processes, debt advice agencies would be able to support more people in dealing with financial problems.

8 https://assets.publishing.service.gov.uk/media/66190f98679e9c8d921dfe44/smart-data-roadmap-action-the-government-is-taking-in-2024-to-2025.pdf

9 https://assets.publishing.service.gov.uk/media/60c72e058fa8f57ce3773c2d/smart-data-working-group-report-2021.pdf

10 https://cfit.org.uk/open-finance/?utm_medium=email&_hsmi=83625556&_hsenc=p2ANqtz-_5TvvLBijpi8c5zni0QUmdWbyGNOzeoy5jZ-2nVpj7DqnzmFeLTxxOiyXpyVB88cxkh0uAFRqauznmReNMa1ISGFf8-A&utm_content=83625556&utm_source=hs_email

1.34 The FCA also published a response to a Call for Input on open finance in the UK which identified the potential benefits to consumers and competition and set out the FCA's draft principles that might underpin an open finance scheme[1].

The role of the Interim Entity and the Future Entity in open finance

1.35 The government intends that regulations made under the DPDI Bill will provide for the possibility of industry maintaining, or establishing, an interface body that would set standards and provide dedicated services to support data-sharing beyond existing open banking initiatives. In the case of further data-sharing schemes in financial services or beyond, it may be desirable for the Interim Entity or Future Entity, as appropriate, to play a role in supporting interface arrangements. Accordingly, the Future Entity should have the capability to evolve so that it is able to support any possible future data-sharing initiatives, as appropriate and in alignment with the Department for Business and Trade's Smart Data Roadmap.

1.36 Where the Future Entity does not deliver standards and support services for other data-sharing schemes (financial services-related or otherwise), it will need to work with other organisations to ensure, in order to not deter innovation, that the technical burden on TPPs is proportionate for participation in multiple Smart Data schemes. Prior to the establishment of the Future Entity, this role may be undertaken by the Interim Entity should the Interim Entity Board considers it appropriate to do so.

The role of the Interim Entity and Future Entity in open banking payments

1.37 OBL will continue to maintain oversight of the Open Banking Directory – the core infrastructure of the open banking ecosystem that enables banks to exchange customers' financial data with third-party providers in a secure way. JROC recommends that the Future Entity take on this responsibility when it is established.

1.38 As stated in the April 2023 JROC report, there is a key opportunity for further developing premium APIs that drive the use of open banking payments in retail transactions. This aligns with the PSR's strategic objective to support the development of account-to-account retail transactions to offer consumers and businesses an alternative to card payments. This also aligns with the FCA's objective to have a variety of safe payment methods.

1.39 As such, there is a key opportunity for the Interim Entity and the Future Entity to develop, maintain and update standards that banks will use when creating these premium APIs that trigger payment initiation.

2 The Future Entity

Proposals for the Future Entity

2.1 Taking on, and expanding, the role currently performed by OBL, the Future Entity will be at the heart of the open banking ecosystem for the long term, taking forward the role of a central coordinating and standard setting body, enhancing and standardising the open banking experience for all. The standards it sets and maintains, and the services it provides will be the backbone of open banking going forward. Pending board decisions and the potential expansion of data-sharing requirements beyond payment accounts, it may also have the ability to expand to support other industries and to help to deliver progress against related Smart Data initiatives.

2.2 The future regulatory state will exist when new requirements under the long-term regulatory framework come into force. It is intended that these regulatory requirements will be implemented as part of a Smart Data scheme under the DPDI Bill.

2.3 The activities of the interface body for an open banking scheme[11] are expected to replace and build upon the functions performed by OBL under the CMA Order. JROC expects that the Future Entity will take over functions from OBL (e.g., in relation to standard setting for all parts of open banking including data and payments) and perform the role of interface body, as will be required under the open banking scheme. As an interface body in a Smart Data scheme, we expect the Future Entity to be subject to certain regulatory requirements and firms in the Smart Data scheme will have obligations in relation to the body, including in relation to membership, cooperation and funding. The framework will also set out the FCA's role and responsibilities in relation to the oversight and enforcement of the Smart Data scheme requirements. The PSR will continue to maintain regulatory oversight of designated payment systems and participants within them and we expect the Future Entity to continue to play an important role in developing standards for payments-related APIs.

2.4 While the future regulatory state will not come about until relevant legislation and regulation is in force, in this document JROC sets out its recommendations, and seeks input on these recommendations, as to the design of the Future Entity to act as the interface body in that future state. It is JROC's expectation that a Future Entity designed and created in accordance with these recommendations (as confirmed following the consultation), should be capable of complying with the regulatory requirements that are expected to be implemented through the long-term regulatory framework. Conversely, if the Interim Entity does not develop and transition in accordance with JROC's recommendations, then further changes may be required in the future state. Lessons learned from the establishment and operation of the Interim Entity will also be taken into consideration when finalising the appropriate regulatory requirements for data-sharing and the interface body in the future state.

2.5 Alongside this document JROC is publishing the recommendations of the Future Entity Working Group, and JROC expresses its thanks to the members of the working group, and

11 Through this document, 'scheme' is used in reference to Smart Data schemes as set out in the DPDI bill.

in particular the leads of the sub-working groups: Ghela Boskovich; Mark Chidley, Kat Cloud, Adam Gagen, James Guy, and Francis McGee.

Purpose of the Future Entity

2.6 The Future Entity will build on what is currently in place and, in line with JROC's recommendations on the next phase of open banking in the UK published in April 2023, its primary purpose will be to support the development of new open banking propositions whilst also ensuring the maintenance and improvement of existing services, including facilitating existing and new payment capabilities.

2.7 JROC recommends that the Future Entity's objectives and governance reflect this primary purpose and the Future Entity's responsibility to promote competition and innovation for the benefit of consumers and businesses. This can be done via the Future Entity's constitutional documents. The Future Entity's objectives should also reflect that the Future Entity will have a role to promote competition and innovation for the benefit of consumers and businesses including by enabling them to use open banking to better manage their financial lives and provide them with alternative ways to pay. As part of its central role within the open banking ecosystem, the Future Entity should be responsible for:

- improving existing and developing new API standards and guidelines for all ASPSPs and TPPs to ensure consistent high-quality consumer and end user experiences and interoperability across use cases
- monitoring the operation of open banking firms against relevant standards and gathering data on ecosystem performance on an ongoing basis
- providing and maintaining critical services and technical infrastructure (for example, the directory and help desk) where required
- ensuring mechanisms are in place (and operating well) to protect consumers and businesses should anything go wrong

2.8 In fulfilling its functions, JROC expects the Future Entity to be flexible as it takes on both the functions under the CMA Order and non-OJJ rder work (initially taken forward by the Interim Entity). It, and particularly its Board, will need to act in the interests of the wider open banking ecosystem and to work with others across the ecosystem, including payment system operators where relevant, to take forward its initiatives that ultimately benefit UK consumers and businesses. JROC expects the Board of the Future Entity to determine the organisation's capabilities and functions on an ongoing basis. This is likely to include it responding to emerging technological and regulatory advancements and additional use cases that may be enabled via Smart Data schemes established pursuant to the DPDI Bill.

Timing

2.9 As set out in Part 3 of this document, JROC is consulting on an Interim Entity being established immediately to take forward the current JROC non-Order workstreams. This will form a foundation for the Future Entity and is therefore part of the preparation for transition from OBL to the Future Entity. The DPDI Bill will, subject to Parliament, facilitate the establishment of a long-term regulatory framework under which the Future Entity will operate.

Structure of the Future Entity

2.10 In determining the structure of the Future Entity, the lessons learned from the establishment, structure and delivery of OBL and the Interim Entity will be considered. JROC's current view is that the Future Entity should be established as a new, separate corporate entity from both OBL and the Interim Entity, as it will have different functions from those entities.

2.11 JROC is recommending that the Future Entity takes the form of a UK established company and an interface body under the DPDI Bill, which will also build on the functions performed by OBL and the Interim Entity. The Future Entity will take into consideration the interest of the open banking ecosystem as a whole and will maintain and develop standards and the infrastructure required for open banking to enable good outcomes for end users through safety, control and value.

2.12 JROC acknowledges the recommendations in this paper are reflective of the current open banking ecosystem. As mentioned above, JROC expects that a future entity designed in accordance with these guidelines would be capable of complying with the regulation in the future state.

2.13 JROC recognises the importance of the Future Entity being versatile and capable of adapting to an evolving environment, with the ability to determine the most appropriate solutions to any unresolved questions. JROC is optimistic that the Future Entity, in collaboration with the broader ecosystem, can develop within these guidelines and be equipped to evolve beyond them, as required by the ecosystem. JROC is fully supportive of such development and the government is committed to ensuring that any future regulatory framework also supports this adaptability. JROC will provide the necessary support for these advancements and, is prepared, if necessary to implement the regulatory framework so as to mitigate any developments that are not in the best interests the ecosystem.

2.14 JROC has considered other corporate structures and the benefits of using a company limited by guarantee as opposed to a company limited by shares. Given the usual incentives of shareholders to receive a return on their investment and distributions, JROC therefore recommends that the Future Entity should be a company limited by guarantee, with the ability to create reserves.

QUESTION 1: Do you agree with JROC's preliminary recommendation of the Future Entity being a company limited by guarantee? If not, what corporate structure would you recommend and why?

The guarantor holders

2.15 While we expect the services provided by the Future Entity to be used by the regulated open banking ecosystem, making each firm using the Future Entity a member of the entity (i.e., to become guarantors for a nominal sum) would be impractical and costly to administer given the number of firms involved. JROC is therefore proposing that the Board members of the Future Entity become the only guarantors.

JROC Regulation

2.16 It is our expectation that the Future Entity will ultimately be regulated by the FCA in accordance with the long-term regulatory framework. HMT and the FCA will consider the regulatory provisions which should apply to the Future Entity in due course, and the FCA will consult on applicable rules in the usual way. The FCA will also consider the appropriate mechanism to authorise the Future Entity, or otherwise bring it under its regulation.

2.17 In addition, and to the extent that the Future Entity becomes an operator of, or infrastructure provider to, a designated payment system, it is our expectation that the PSR would have powers over the Future Entity in respect if its role as such in accordance with the Financial Services (Banking Reform) Act 2013.

Governance – the Board

2.18 JROC considers that the Future Entity must act in the interests of all participants in the open banking ecosystem, including consumers and businesses. This applies across data and payments.

How will the first board be appointed?

2.19 JROC is recommending that an Appointments Committee is created to establish an independent Board. The Appointments Committee should consist of seven members:

- two end user representatives
  - one consumer representative
  - one business representative
- two TPP representatives
- two ASPSP representatives
- an independent advisor with the necessary expertise to appoint a Board within the open banking ecosystem.

The independent advisor should chair the Appointments Committee they and should have the final deciding vote on any Board appointments.

2.20 The members of the Appointments Committee should be chosen in the following way:

- the business representative and consumer representative should be chosen by the independent advisor;
- the two ASPSP representatives should be chosen by ASPSPs who are regulated by the FCA and have the relevant permission to provide open banking services; and the two TPP representatives should be chosen by TPPs who are regulated by the FCA and have the relevant permission to provide open banking services.

2.21 The Appointments Committee should work with recruitment consultants to create relevant job descriptions for the Board positions in consultation with JROC. The consultants should then establish a shortlist of Board members and make the relevant appointments.

2.22 This is a similar model to that proposed in Part 3 of this document, for the Interim Entity. JROC is keen to learn lessons from the Interim Entity and may set out further recommendations for the appointment of the first board of the Future Entity in due course.

Structure of the Board

2.23 Initially JROC is proposing that the Future Entity Board consists of, at least, an independent Chair, CEO, and CRO.

2.24 While JROC expects the Board to act in the interest of the entire ecosystem the Future Entity serves, it recommends the Board also include non-executive directors tasked with bringing expertise relevant to the functioning of the Future Entity and representing the different interests of ecosystem participants (including ASPSPs and TPPs) as well as consumers and businesses. JROC is also recommending that an Interim Entity Director and OBL Director are appointed until the transition from the Interim Entity to the Future Entity is complete and the Future Entity has taken on the functions currently performed by OBL. Both roles would cease following the transition to the Future Entity. These directors would need to manage any conflicts of interest which might arise in any transfer of assets from OBL or the Interim Entity to the Future Entity.

2.25 JROC expects the Board to be appropriately diverse and achieve better outcomes through considering diversity and inclusion at all levels. If the Future Entity takes on additional responsibilities for data-sharing schemes beyond open banking in the future, there may be the need to develop additional governance arrangements to represent other stakeholders. This should be considered by the Board on an ongoing basis.

2.26 The Future Entity Board should assess the need to establish sub-committees and act accordingly. It should also consider the need for advisory groups to obtain expert input and advice for consideration. The expert input and advice should represent different aspects of the ecosystem, and JROC recommends that advisory groups are created in order to obtain expert input and advice as it deems helpful. The Board should review its sub-committees and advisory groups regularly to ensure relevance and no overlapping responsibilities.

Capabilities

2.27 The Future Entity's capabilities and functions should be considered and determined by the Board on an ongoing basis, and must be sufficient to deliver its purpose, and to ensure ongoing delivery of any outcomes or objectives that may be set out as part of the Long-Term Regulatory Framework.

2.28 The Future Entity Working Group (FEWG) developed recommendations on the capabilities of the Future Entity based on its engagement with a wide range of ecosystem participants.

2.29 JROC agrees with the FEWG recommendations and proposes that the Future Entity should as a minimum:

- Act as the primary standard-setting body for open banking services;
- Monitor API performance and ecosystem participants' conformance with standards;
- Monitor and encourage firms' adherence to standards (regulatory enforcement action would sit with regulators rather than the Future Entity);

- Provide core support services to ecosystem participants (including complaints and dispute resolution);
- Provide certificate services;
- Provide directory services;
- Facilitate the development of commercial arrangements; and
- Coordinate with sub-sector specific regulators and organisations as appropriate to ensure effective development of the ecosystem.

2.30 In addition, JROC recommends that the Future Entity should:

- Maintain a policy function which can be expanded to support wider data-sharing initiatives in the future, if appropriate.

The Directory

2.31 OBL currently provides directory and certificate services to the open banking ecosystem. This consists of a secure entry point into the open banking ecosystem and confirms that counterparties have the right permissions. However, during the Future Entity Working Group discussions, some participants noted that these services could, in the future, be delivered more economically by the market. JROC recommends that the Future Entity prioritise providing directory and certificate services but undertake a formal assessment for how directory and certificate services should be delivered under the long-term regulatory framework (and share with JROC).

Role of the Future Entity for premium APIs and the role of payment system operator

2.32 JROC expects the Future Entity to have the ability to develop standards and guidance that enable ASPSPs to build premium APIs facilitating the introduction of new open banking products and services. For these to emerge in an effective way, the Future Entity will need to coordinate its activities with other organisations. The standards and other measures developed by the Future Entity will need to work in harmony with, and be complementary to, the operations of other relevant bodies. For open banking payments, JROC considers Payment System Operators (PSOs) and the rules they set for the operation of the payment system open banking payment-initiation standards rely on to be relevant bodies.

2.33 Where relevant, the Future Entity and a PSO should work together to ensure their rules and guidance are in alignment with one another without conflicts, producing good outcomes for the users of their services.

Funding

2.34 To progress open banking, and to ensure that open banking propositions can be scaled on a commercial basis, the Future Entity must have a funding model which is fair across the ecosystem: those who use services the Future Entity provides should pay for them over time. At the same time, to encourage competition and innovation, fees should not be a significant barrier to entry and should incentivise the right behaviours in the market.

2.35 JROC expects that the long-term regulatory framework will establish principles according to which firms must provide adequate funding for the operation of interface bodies such as the Future Entity. The FCA expects to be able to use relevant powers under the framework to ensure, where necessary, that the Future Entity's funding model is both sufficient to enable it to function as required, and consistent with core principles.

Funding Principles

2.36 JROC has previously identified five pricing principles that should underpin how ASPSPs agree prices with TPPs with regards to the development of premium APIs. In the publication,[12] JROC stated that fees and charges should:

- Broadly reflect relevant long-run costs;
- Incentivise investment and innovation;
- Incentivise take-up of open banking by consumers and businesses and use of network effects;
- Treat parties fairly; and
- Be transparent.

2.37 In addition, the Future Entity Working Group recommended that the FE funding model should:

- Recognise different business models;
- Minimise barriers to entry;
- Not lead to bad behaviours;
- Be pragmatic and simple to administer.

2.38 JROC recommends that the Future Entity Board develops the final funding model for the Future Entity, based on the five JROC pricing principles and FEWG recommendations noted above, and in accordance with the long term regulatory framework. JROC recognises that the development of any funding model will typically involve accepting trade-offs. At a minimum, any funding model based on the principles set out above will need to be able to facilitate:

- Efficient cost recovery over time and financial sustainability:
  - Efficient cost recovery: the fees charged to funders or users of the relevant service is adequate enough to cover all associated efficient costs; and
  - Financial sustainability: the funding model should cover efficient operating expenses and allow for long-term efficient investment in operations.
- Flexibility and ability to recognise different business models:
  - The funding model is flexible enough to adapt to changing circumstances, such as changes in the regulatory environment, shifts in the sector or differences in billing structure (if necessary).

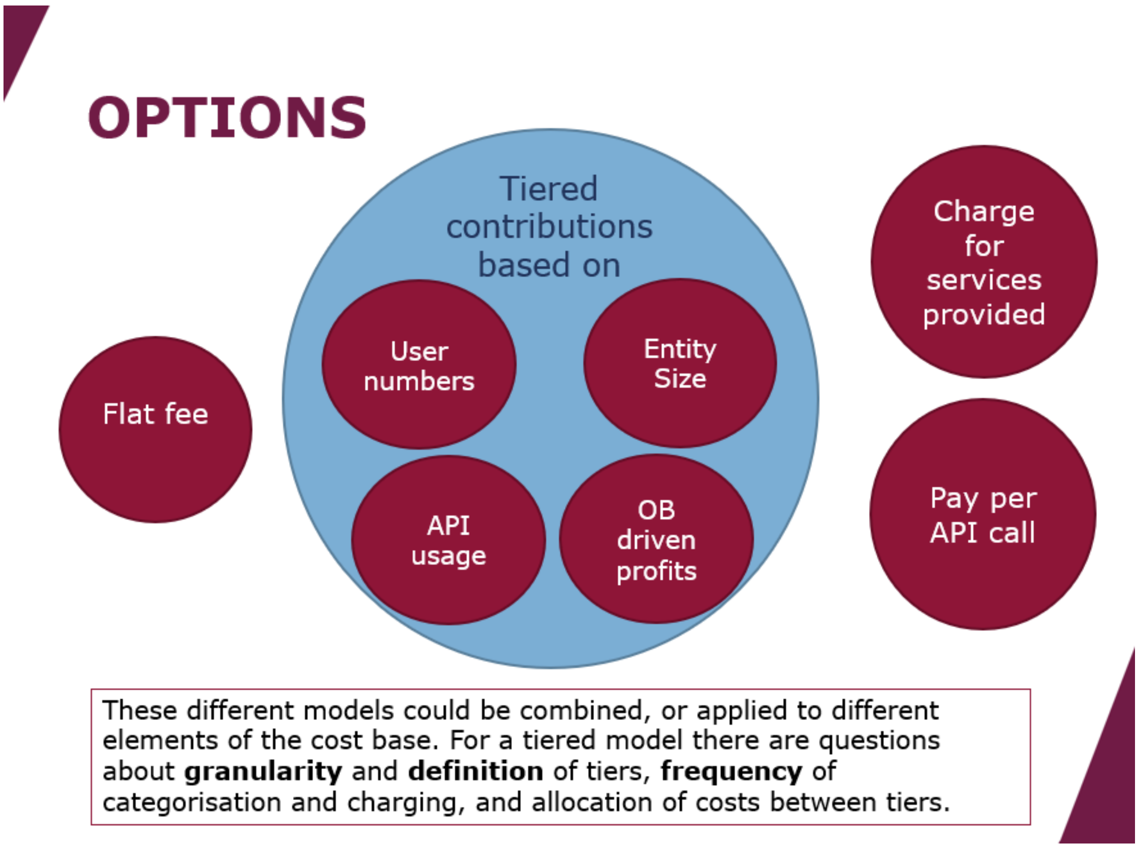
12 Principles for commercial frameworks for premium APIs – Joint Regulatory Oversight Committee (fca.org.uk).

2.39 JROC recognises that the Future Entity could implement a funding model that seeks to bring about certain behaviours (exercised by both the Future Entity and ecosystem participants), which may relate to:

- The efficient and proportionate use of Future Entity services;
- The level of ecosystem take-up of Future Entity services;
- Strong ecosystem conformance with Future Entity standards (e.g., high levels of API uptime);
- The level of ecosystem engagement and cooperation with the Future Entity;
- The level of ecosystem provision of open banking products and services;
- The level of consumer uptake of open banking products and services;
- The quality of Future Entity services provided;
- The use of Future Entity products and services in an innovative way; and
- The level of ecosystem investment into the Future Entity.

2.40 JROC recommends that the Future Entity Board keeps these behaviours, as well as any lessons learned from the establishment of the Interim Entity, in mind as it develops the Future Entity's funding model.

Funding Options



2.41 There are different funding models which could be implemented for the Future Entity, which range from a flat fee per member of the open banking ecosystem, through tiered funding amounts based on characteristics of the firm in question, to charges per service used or a pay per click model. Each of the various options has benefits and disadvantages and will impact on the shape of the ecosystem going forward.

Options for the preliminary model

2.42 The Future Entity Working Group noted that there were several options for the funding of the FE: tiered membership, pay-as-you-go (PAYG) and a hybrid of these. The Funding sub-group also suggested that JROC consider a universal service charge. Analysis of each of the options is set out in Annex 7.

2.43 JROC's preliminary recommendation is that a funding model is established which (i) shares the fixed costs of the Future Entity equitably across ASPSPs and TPPs using a tiered model; and (ii) shares the costs of developing, delivering and operating premium APIs across the firms who wish to develop and/or offer the specific premium API, using a "per use" or flat fee model.

Fixed costs

2.44 JROC recommends that the fees representing the fixed cost elements of the Future Entity are split between ASPSPs and TPPs on a tiered basis, with there being four categories for each type of firm. The fixed costs represent the central services available to all open banking participants and carried out for the benefit and smooth operation of the ecosystem. This will include the Future Entity's costs for the provision of services, which to date have been provided under the CMA Order. These categories would be, for ASPSPs, measured by the number of accounts held that have or could activate open banking services and would include (i) exemption for the smallest firms; (ii) small firms; (iii) medium firms; and (iv) large firms. Likewise, for TPPs, the categories would be (i) exempt; (ii) small firms; (iii) medium firms; and (iv) large firms, measured by outbound API calls, with different metrics for data API calls and payments initiations. JROC envisages that the boundaries for each of the categories across ASPSPs and TPPs would need to be determined on a periodic basis, and would need to take into account the fixed costs for the relevant year and the characteristics of firms within the ecosystem.

Premium services

2.45 As set out above, to develop the open banking ecosystem, JROC is encouraged by the prospect of innovation and the development of new premium services, in addition to those developed under the CMA Order. JROC expects there to be significant innovation in the premium API space, delivering services and additional benefits to customers, to the open banking ecosystem as a whole and society more generally.

2.46 JROC recommends that the Future Entity engages with the open banking ecosystem and develops the capability to support the development of standards, or other arrangements, for use by firms offering premium APIs. However, it will be necessary for those firms who are developing such premium APIs to contribute to the costs of developing the necessary infrastructure at the Future Entity. JROC is therefore recommending that the Future Entity is able to charge the relevant firm, or group of firms, for development of any standards and their subsequent use. JROC considers that the level of this should be determined by the Future Entity Board and fall into two categories: (i) development where fees should be charged, in a cost reflective manner, to those firms looking to launch the product; and (ii) use, using either a 'per use' approach, or a 'flat fee for membership' approach. In each case, the fees set should be reflective of the above funding principles and must be equitable and cost reflective.

2.47 Depending on the relevant premium API service, the Future Entity may need to work with other organisations in setting commercial models for firms that use the Future Entity's services, for example the payments system operator in the case of payments APIs to ensure all commercial models are complementary to each other. The Future Entity may need to enter into multilateral agreements to do so. The Future Entity Board will need to consider this on a case by case basis, and should be empowered to enter into agreements necessary to facilitate the development and implementation of premium API services.

2.48 JROC is seeking views on the proposed funding model set out in paragraphs 2.40 to 2.46 above.

QUESTION 2: Do you consider there to be a risk that the recommended funding model, and underlying principles, may unintentionally engender behaviours that are not in the best interests of the entire open banking ecosystem? If yes, how might these be mitigated?

Provision of Open Finance services

2.49 If the functions of the Future Entity expand to support data-sharing initiatives beyond open banking, such as open finance, the funding model of the Future Entity will need to evolve to take this into consideration. However, JROC considers that the model but should, at all times, reflect the above principles.

Determining the Parameters of the funding model

2.50 JROC recognises that the open banking market is rapidly evolving, with major firms entering the ecosystem and new services being offered. Parameters set now for the funding of the Future Entity now may not be reflective of the open banking market when the Future Entity itself is established, particularly considering the rapid evolution of the ecosystem, and developing technologies. We are therefore proposing that once appointed, the Future Entity Board uses data provided by OBL and the Interim Entity, and models the parameters for the funding, considering up to date data around costs, usage and development and use of premium API services.

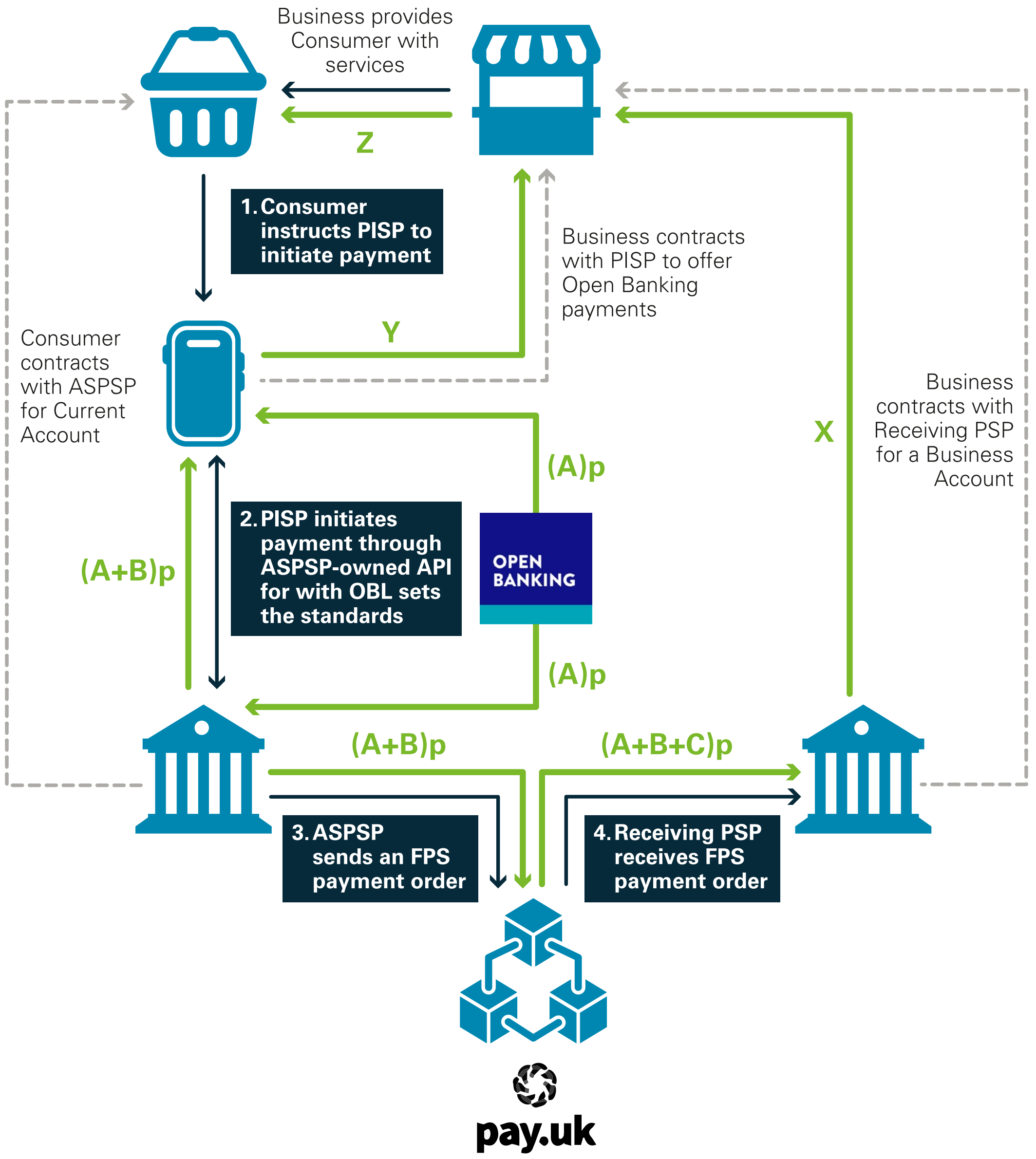
Funding requirements under long-term regulatory framework

2.51 JROC anticipates that the long-term regulatory framework will establish principles according to which firms must provide adequate funding for the operation of interface bodies such as the Future Entity. The FCA expects to be able to use relevant powers under the long-term framework to ensure, where necessary, that the Future Entity's funding model is both sufficient to enable it to function as required, and consistent with the principles set out in this document (subject to consultation response). If the FCA makes rules in relation to the funding model, it will consult in the usual way.

Relationship between PSO and FE funding and charging arrangements

2.52 As set out above, in relation to open banking payments, the Future Entity and relevant PSO will need to work closely to ensure funding and charging models work in tandem to deliver benefits to end-users and drive the right incentives and outcomes for systems participants. We expect that this will need to be done, in close cooperation with FCA and PSR.

2.53 The example below illustrates how open banking and payments-related charges could interact, in a future model. When considering which incentives and outcomes for end-users are created, any coherent charging/funding arrangement for open banking-initiated payments will need to take into account charges in relation to the development of Premium API services, as well as those generated by the underlying payment system.



Charges

A Open Banking fee set by Interim Entity

B Charge for API-related costs (incl. costs in relation to the API development, liability and any potential margin). *Proposal under consultation through PSR/JROC Call for Views on expanding VRPs*

C FPS transaction fee set by Pay.UK. *Proposal under consultation through PSR/JROC Call for Views on expanding VRPs*

X Charge for provision of Business Account (incl. A, B, C) set by market competition between Receiving PSPs

Y Charge for provision of PISP services (incl. A, B) set by market competition between PISPs

Z Charge for provision of services provided by business to consumer set by market competition between businesses

p *Proportionate share*

3 The Interim Entity

Proposal for the Interim Entity

3.1 The journey to the Future Entity, and the implementation of the long-term regulatory framework, will take time. Therefore, JROC is recommending that OBL establishes an interim entity as soon as practically possible. The Interim Entity will be responsible for the development of non-Order activities, while Order related activities remain with OBL. JROC anticipates that the Interim Entity will be needed for at least 18 months.

3.2 The creation of an Interim Entity will enable non-Order activities to have the additional focus and oversight of a dedicated Board who will be responsible for the development and delivery of these non-Order workstreams for the benefit of consumers and businesses.

3.3 Importantly, the Interim Entity will also need to establish a funding model that will enable non-Order activities, and any additional industry-led commercial activities agreed by its Board, to be sustainably funded.

Options considered for corporate structure of the Interim Entity

3.4 The Interim Entity serves as a transitional phase on the journey toward the Future Entity. Whilst there are various corporate structures available, JROC's objective is to ensure that there is a suitable corporate structure for the Interim Entity to operate effectively and independently, and to ensure the subsequent transition to the future state is as smooth as possible. JROC will seek to ensure that the establishment of the Interim Entity is as efficient as possible, both in terms of cost and in terms of time.

3.5 JROC's preliminary recommendation is that the Interim Entity is established as a subsidiary of OBL, with OBL as its parent company and sole shareholder. JROC considered a range of options for the corporate structure of the Interim Entity before reaching this recommendation. It is important that the structure is practical, cost efficient and quick to set up.

3.6 Options JROC considered are set out in Annex 8. JROC consider that having OBL as the parent and the Interim Entity as the subsidiary is the most pragmatic approach. Under this option the administrative set up of the Interim Entity can be done relatively quickly and efficiently and will enable it to operate independently with strong corporate governance. In the unlikely event that the Interim Entity becomes insolvent, our assessment is that OBL would not be responsible for the debts of the subsidiary under this structure. This is because safeguards will be put in place between OBL and the Interim Entity to ensure separation of the liabilities as between parent and subsidiary.

> **QUESTION 3:** Do you agree that the Interim Entity should be a subsidiary of Open Banking Limited? If not, what structure do you prefer? Please explain why.

Liabilities

3.7 JROC is recommending that a subsidiary of OBL is established, amongst other reasons, to ensure that any liabilities of the Interim Entity are not passed to OBL. The Interim Entity should be managed independently by its own Board. It should have its own tailored memorandum and articles of association, purpose, policies and procedures and maintain its own management functions.

OBL Board consent

3.8 The agreement and consent of the OBL Board will be necessary to establish the Interim Entity, and for OBL to provide services thereto. The JROC recommendations set out in this document will need to be considered by the OBL Board and governance which will then need to consider and take the relevant decisions to establish the Interim Entity.

Funding of the Interim Entity

3.9 JROC has called on the open banking ecosystem to voluntarily support the development of open banking and to progress the non-Order JROC workstreams by providing funding. This will build on the foundations for the future which JROC has set out, and will deliver benefits to consumers, firms and the ecosystem as a whole.

Summary of funding options

3.10 JROC, along with OBL, has considered various options for funding of the Interim Entity and has taken into consideration the proposals of the Future Entity Working Group. JROC is guided by the principle of setting an equitable, broad-based and fair funding model, which is simple and easy to administer.

3.11 The funding options considered by JROC include:

- Asking the CMA9 to continue to fund the JROC non-order workstreams;
- Asking the whole of the open banking ecosystem to fund the JROC non-order workstreams;
- Asking key firms within the ecosystem to fund the JROC non-order workstreams; and
- Obtaining a commercial loan.

3.12 After exploring these options JROC does not consider it to be equitable and fair to ask the CMA9 to fund the JROC non-Order workstreams but considers it an appropriate time for wider industry to be asked to fund the operations of the Interim Entity. An equitable funding model will ensure that the progress already made in open banking can be built upon. The relevant provisions in the DPDI Bill are aimed at ensuring future Smart Data schemes are self-funding and not reliant on public funding.[13] We are therefore working on the principle that both the Interim Entity and the Future Entity must not rely on public funds.

13 Explanatory notes in relation to the Data Protection and Digital Information (No. 2) Bill] as introduced in the House of Commons on 8 March 2023 (Bill 265)

Wider industry funding

3.13 JROC considered various models for wider industry funding, including a flat fee requested from every member of the ecosystem; a fee per API call; and tiered contributions based on user numbers, entity size, API usage, or open banking driven profits. JROC considered whether these models were appropriate, could be combined or applied to different elements of the cost base of the Interim Entity.

3.14 JROC considered the size and ability to pay of a sample of firms within the open banking ecosystem. It has also considered the usage of firms through numbers of customer accounts with consents to use open banking and the number of API calls per firm. JROC has also considered the trends in these numbers, focussing on firms which are increasing their open banking activities at a significant rate.

3.15 With a view to set out a funding model which is broadly fair, easy to administer and can achieve sufficient voluntary contributions, JROC is asking the firms within the open banking ecosystem identified as either having the largest number of customer accounts with consents to use open banking, the largest number of API calls, or increasing their use of open banking services at an increasing rate to fund the JROC non-Order workstreams, initially as carried out by OBL and in due course through the Interim Entity. JROC has asked for an equal amount from each of the firms in the interests of both speed and simplicity.

Amount of voluntary funding

3.16 Based on the current scope of the JROC non-Order workstreams, OBL estimates that around £7.4m of funding is needed for it to progress these workstreams and set up the Interim Entity, until the Future Entity is established, £2.185m of which is needed for the next two quarters. This funding will cover:

<table>
<tr><td>Levelling up availability and performance</td><td>Building an API solution to collect data – This will provide the ecosystem with a more comprehensive understanding of API performance and availability, aiding identification of issues to be addressed. Pending participant consent and adequate data coverage, specific benefits will include:
• ASPSPs being able to benchmark themselves against API performance quartiles; and
• Interactive tool sets for individual ASPSPs, allowing monitoring of individual brands or performance metrics.
• Monitoring dashboards for TPPs, allowing them to understand and benchmark their own data against peers.
An API solution for collecting data should be more efficient for firms in comparison to manually submitting data. Development of the solution is expected to finish in H2 2024.</td></tr>
</table>

Mitigating the risks of financial crime	**Fraud data collection –** This will provide an informed view of the nature and extent of economic crime occurring in open banking payments beyond the CMA9. Outputs of data can be used to identify areas of existing weakness in fraud that need to be addressed more strategically, while providing a potential early warning system for growing threats. Firms can also use data to help evaluate the efficacy of measures to prevent fraud. For TPP's this can also potentially help identify and reduce false positives. Data collection is ongoing, and OBL has provided JROC with an initial analysis of data collected for January. **Fraud tools/Transaction risk indicator (TRI) pilot –** OBL's pilot is being conducted in two stages – firstly, to supply TRIs which allow ASPSPs to build predictive models and secondly to use the detection models for decisioning on actual transactions. Insights from the pilot are expected to help firms reduce fraud levels and cut down the number of transactions which are blocked, benefitting ASPSPs, TPPs and consumers. This exercise can help inform a decision as to whether TRIs should be mandated as part of open banking standards. TRI data collection is ongoing.
Ensuring effective consumer protection if something goes wrong	**Dispute management system for open banking –** The lack of such a system, particularly as new open banking propositions develop and the ecosystem expands, was identified as a key gap in OBL's gap analysis of consumer protections shared with JROC. Pending endorsement from JROC, OBL would seek to develop a comprehensive dispute management system ready for implementation in 2024.
Improving information flows to TPPs and end users	**Updates to open banking standards –** Following submission to JROC of their analysis of gaps in payment statuses and error codes in open banking and faster payments, OBL are now progressing an update to open banking standards. The aim is to enhance the open banking standard later this year to improve information on payment statuses and improve the handling of error messages. This will help firms diagnose and resolve issues in the payments process, driving up long-term payment conversion.
Promoting the development of premium API propositions	Using the work on non-sweeping VRPs and lessons learned to date to inform wider thinking on premium APIs for use cases that include data-sharing and/or may combine payments and data. To expand the workstream to include data use cases, we will consider the blueprint prepared by the VRP Working Group and take the learnings from this group.

Funding voluntarily

3.17 JROC acknowledges the stresses that the current economic situation places on firms. It has therefore applied a number of parameters around customer accounts, API calls, and projected growth in open banking services to identify the firms it has asked to voluntarily fund the JROC non-Order workstreams and the setup and operation of the Interim Entity. JROC is grateful for and encouraged by the response it has had to this request for funding.

Practicalities – who collects funding, when and how

3.18 In the immediate future and as the Interim Entity is established, JROC has requested that OBL collects the voluntary funding. The funding will therefore be administered by OBL and held separately from its Order-related own funds, solely for the purpose of funding the non-order workstreams. Various options are currently being assessed as to the most appropriate option for holding these non-Order funds ahead of the establishment of the Interim Entity (e.g. separate accounts, escrow accounts, trusts etc). Again, these monies will only be used for the purposes of the non-order workstreams as set out in this paper, or as otherwise specified by JROC. Along with the funding, all JOC workstream activities and associated costs will be recorded, monitored and reported on separately and will be subject to independent audit as part of the OBL audit. In the event that the funds are held in escrow, such funds would be held until the new governance arrangements for the Interim Entity are in place. In this scenario an independent 3rd party (the escrow agent) would hold the funds until fulfilment of predetermined contractual obligations (or upon receiving appropriate instructions from the parties).

3.19 JROC recommends that the JROC non-Order workstreams report to JROC, that the progress of these workstreams, including the funding, should be overseen by JROC on an agreed basis, and that OBL makes available to JROC on request all records and documentation relating thereto.

Inadequate voluntary funding

3.20 Open banking has been instrumental in fostering innovation, competition, and efficiency in the retail banking sector for the benefit of consumers and businesses. To date, UK open banking has been sustained through prescriptive regulatory intervention. Now industry must demonstrate its commitment to the future of UK open banking through collaborative funding. This will ensure the ecosystem can continue to develop during the interim regulatory period, facilitate the development of a viable commercial model, and drive competition and better outcomes for consumers.

3.21 JROC is therefore recommending an immediate transition to an equitable, broad-based interim funding model. This will ensure the continued delivery of the workstreams outlined in JROC's April 2023 report to progress open banking, without unduly burdening any single set of ecosystem participants.

3.22 If a sufficient proportion of industry are not forthcoming with support for this interim phase on a voluntary basis, it is likely that progress on these workstreams will be significantly delayed until the legislation and rules to underpin a regulatory approach are in place. The Order will continue to be maintained by OBL, funded by CMA9.

3.23 We expect that this outcome will be less efficient for the ecosystem, as progress will pause and efficiencies with OBL will be lost.

Options for operations

3.24 As a new company, the Interim Entity will not have an established infrastructure and resources. JROC has considered various options in relation to this, including, the Interim Entity exclusively using external contractors or establishing and maintaining a workforce (this could include members of staff from OBL who are working exclusively on these workstreams transferring to the Interim Entity). Alternatively, the Interim Entity could rely on the infrastructure and resources established by OBL via an intercompany services agreement.

3.25 Following discussions with OBL, JROC proposes that an intercompany services agreement is entered into between the Interim Entity and OBL for the provision of services relating to (i) development and delivery of the JROC non-Order workstreams; and (ii) provision of back-office services. This intercompany services agreement will be subject to consideration and execution by the Interim Entity and OBL.

Constitutional Documents

3.26 The purpose of the Interim Entity is to deliver non-Order workstreams, to promote innovation and competition for the benefit of consumers and businesses, and to prepare for the transition of these activities to the Future Entity. Whilst the Interim Entity is a temporary measure, it will endure until the implementation of the long-term regulatory framework. As such, the constitutional documents, including a memorandum of association reflecting the purpose of the Interim Entity, should be prepared to give the Interim Entity the scope to perform non-Order activities designed to progress open banking for the benefit of consumers, businesses and the wider UK economy.

3.27 Should JROC request or suggest additional activities under the JROC non-Order workstreams, these will need to be agreed by the Interim Entity Board and additional sources of funding may be required. The Interim Entity Board may likewise choose to perform other activities over and above the existing JROC non-Order workstreams, related to progressing open banking initiatives that will deliver benefits to consumers and businesses in the UK. It is expected that should they do this, they would do so in cooperation and consultation with JROC.

Role of Interim Entity for premium APIs and role of payment system operator

3.28 As the Interim Entity is taking on the role of developing and delivering key parts of the JROC non-Order workstreams it will need to cooperate with other organisations that set rules and guidelines that impact open banking products and services. JROC expects the Interim Entity, like the Future Entity, to develop standards and guidance that enable ASPSPs to build premium APIs facilitating the introduction of new open banking products and services. These standards and other measures developed by the Interim Entity will need to work in harmony with, and be complementary to, the operations of other relevant bodies.

3.29 For payment initiation, and as is the case with the Future Entity, JROC expects the Interim Entity to coordinate its activities with Payment System Operators to ensure that any rules and guidance held across organisations are in alignment with one another.

3.30 Like the Future Entity, JROC expects the Interim Entity to have the ability to enter into multi-lateral agreement(s) and, when doing so, ensure their standards and guidance are in alignment with the requirement created by the agreement(s).

Governance of the Interim Entity

3.31 Given its distinct purpose and funding arrangements to OBL as its sole parent, the Interim Entity will require its own governance processes to ensure it can act and make decisions for the benefit of the entire open banking ecosystem. While it may be established by OBL, going forward the entity will be led by its own Board.

3.32 JROC considers it imperative that the Interim Entity has an independent Board, working towards developing open banking and delivering the foundations for future developments. No part of the ecosystem should be favoured, and the Interim Entity Board must have members with the skills, expertise, diversity, and independence to progress open banking. Open banking is intended to improve competition and innovation for the benefit of consumers, businesses and the wider UK economy and the Board will need to promote this aim above the objectives of individual groups. It must operate to the highest standards of corporate governance and must consider the interests of all members of the open banking ecosystem when conducting its operations, including the impact its actions may have on infrastructure providers, ASPSPs, TPPs, consumers and businesses. The Interim Entity will need to manage its affairs with prudence and identify and manage risks, including financial risks. It must always maintain appropriate levels of operational resilience including cyber resilience, and protect any data which it receives or holds, complying with relevant international standards and all requirements in the UK both legislative and regulatory. It may also promote the progression of open banking, including encouraging and facilitating further innovation.

3.33 Adherence to these recommendations by the Interim Entity should ensure smooth transition and appropriateness for the future state under the long-term regulatory framework. Under this framework, it is expected that the Future Entity will be regulated by the FCA and that this regulation may include requirements in relation to its objectives, and governance. The Future Entity will also be subject to regulation by the PSR in respect of the provision of infrastructure to payment systems. JROC expects that any governance arrangements that are not substantially aligned with its recommendations set out in this document will be unlikely to be compliant with regulatory requirements in the future state.

The Board

3.34 The Board will have the responsibilities as set out in the UK Corporate Governance Code.

3.35 The Board should consist of, at least, the following roles:

- **The Chair –** Independent, leads the Board and is responsible for its overall effectiveness in directing the Interim Entity;
- **Executive Directors (CEO, CRO) –** responsible for the management of the operations of the Interim Entity, setting and delivering its overall vision;
- **OBL Director –** to appropriately maintain the link between OBL and the Interim Entity (expectation of the OBL Director to also be a director of OBL – any conflict of interest will be managed appropriately); and
- **Non-Executive and Independent Directors** representing relevant aspects of the open banking ecosystem, including consumers and businesses.

3.36 As set out in the UK Corporate Governance Code, the Board should establish the company's values and strategy in line with its purpose, and satisfy itself that these values and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

Underlying principles

3.37 The Board must, at all times:

- Apply the principles of good corporate governance;
- Have proper and due regard to the interests of the ecosystem as a whole;
- Receive appropriate advice to ensure that it properly considers at all stages the interests of the ecosystem as a whole, including an end users;
- Establish the company's values and strategy and ensure these and its culture are aligned and deliver its purpose;
- Provide, maintain, and update common standards, core infrastructure and critical services to support the day-to-day running of the company;
- Support competition and innovation in the UK payments market, for example, by supporting firms to develop alternative retail payment methods;
- Act with integrity, lead by example and promote the desired culture;
- Operate the Interim Entity as a not-for-profit organisation, but with the ability to retain capital for reinvestment and to build up reserves;
- The Board shall at all times consider diversity and inclusion at every level;
- Contribute to the development and delivery of the JROC non-Order Workstreams, including:
  - Appropriate standards to facilitate the effective and safe use of premium APIs;
  - Improving information flows to TPPs and end users;
  - Ensuring effective consumer protection if something goes wrong;
  - Mitigating the risks of financial crime; and
  - Levelling up availability and performance.
- In progressing these workstreams, the Board is empowered to use all resources at its disposal to design, create, and deliver products to achieve the JROC non-Order outcomes, operating in such a way to:
  - Achieve the objectives set by JROC;
  - Be efficient and cost effective;
  - Convene the wider open banking ecosystem, including businesses and consumers, to ensure their views are considered in the Interim Entities' proposals;
  - Consult and work in collaboration with other parties, including but not limited to, OBL and Pay.UK; and
  - Implement solutions, following discussion with JROC for the benefit of the ecosystem as a whole.

- The Board should have responsibility for developing and implementing a funding model and the power to, after due consideration and consultation:
  - Implement charging mechanisms, where appropriate, which are cost effective and equitable, ensuring that there is no undue barrier to the use of the premium APIs; and
  - Incorporate into the funding mechanism the cost of the development and use of standards to enable premium APIs, and, where appropriate, the implementation of a dispute resolution and consumer protection mechanism, so that the costs of these products are spread equitably across the funders of the Interim Entity.
- If there are additional activities that the Board considers appropriate for the Interim Entity to undertake, that will require appropriate consultation and approval:
  - Additional activities requested by JROC under non-Order workstreams – should be agreed by the Interim Entity Board and additional sources of funding may be required;
  - Additional activities over and above the JROC non-Order workstreams identified by the Interim Entity – should be approved by the Interim Entity Board and reported to JROC and separately funded; and
  - Other activities to progress open banking identified by the Interim Entity Board – should be delivered in cooperation and consultation with JROC and OBL as appropriate, and separately funded.

3.38 We anticipate that to ensure the Interim Entity delivers against these principles, its memorandum and articles of association should specifically set out the recommendations in this document.

Regard to the Ecosystem

3.39 The Board must ensure that it has proper and due regard to the interests of the ecosystem as a whole and should ensure that, beyond its appointment of Non-Executive Directors, it establishes and receives appropriate advice so that it properly considers the interests of the entire ecosystem. JROC recommends that this is achieved through the creation of ad hoc advisory groups covering specific areas as necessary. JROC should have silent observer status at all Board meetings and should also form an advisory group to the Board. JROC expects the highest standards of governance and decision making by the Board, and expects the Board to regularly report progress, risks and issues to JROC.

QUESTION 4: JROC is seeking input on the method of obtaining appropriate advice for the Board in the interests of the entire ecosystem, including consumers and businesses. Would this best be achieved through advisory groups, or would directors representing certain areas of the ecosystem work better? Please set out your preference and if you believe another mechanism should be explored, please explain what and why.

Appointment of the Board

3.40 In line with our recommendations for the FE appointment process JROC is recommending that an Appointments Committee is created with the duty to establish an independent

Board for the FE underpinned by a set of values that include an emphasis on integrity, transparency and promoting ethical behaviour.

3.41 The Appointments Committee should consist of seven members:

- Two end user representatives:
  - one consumer representative; and
  - one business representative.
- Two TPP representatives;
- Two ASPSP representatives; and
- An independent advisor with the necessary expertise to appoint a Board within the open banking ecosystem.

The independent advisor should chair the Appointments Committee and should have the final deciding vote on any Board appointments.

3.42 The members of the Appointments Committee should be chosen in the following way:

- The end user representative and consumer representative should be chosen by the independent advisor; and
- The two ASPSP representatives should be chosen by ASPSPs who are regulated by the FCA and have the relevant permission to provide open banking services; and the two TPP representatives should be chosen by TPPs who are regulated by the FCA and have the relevant permission to provide open banking services.

3.43 The Appointments Committee should work with recruitment consultants to create relevant job descriptions for the Board positions in consultation with OBL and JROC. The consultants should then establish a shortlist of Board members, with the independent advisor having the final vote on any Board appointment.

3.44 Alternatively, a recruitment consultancy could be engaged directly with clear instructions and nominate the relevant directors.

3.45 Both of these options would be independent from JROC, although overseen by it. JROC is seeking views on the appropriate method to appoint the Board for the Interim Entity.

QUESTION 5: Which option do you think is most appropriate for the appointment of the Board for the Interim Entity? Why do you think that option is preferable?

Role of JROC

3.46 Whilst JROC will not formally supervise the Interim Entity, JROC will, on an ongoing basis, engage with the Board of the Interim Entity to monitor and discuss progress on the JROC non-Order workstreams and the operation of the company. JROC should have silent observer status for all Board meetings.

3.47 The Interim Entity CEO will be invited to attend relevant parts of JROC meetings and will regularly engage with representatives of JROC.

4 Conclusion

4.1 JROC has set out above its recommendations for the Interim Entity and Future Entity. These recommendations are designed to place the provision of open banking services on a solid footing going forward, with a central entity which represents, provides appropriate services to, and is funded by the open banking ecosystem.

4.2 The path towards the future state is clear, and JROC is committed to continuing to provide oversight and guidance as required as we transition to this state. Following the close of the consultation period on 20 May, work on the interim entity, and by extension the wider ecosystem, should progress within the guidelines, expectations and phased plan set out in this report and the response document to this consultation which will be published as soon as possible after the end of the consultation period.

4.3 JROC considers this publication to be a significant milestone in the UK’s open banking journey and we look forward to responses to the questions posed in this document and, following our response, seeing JROC’s final recommendations actioned. The regulatory landscape will evolve in tandem to support ecosystem advancement, or provide corrective guidance if developments are not aligned with JROC's expectations.

4.4 JROC welcomes feedback on the questions set and will finalise the policy in relation to those areas once responses have been reviewed.

Annex 1: JROC's proposals for the design of the Future Entity for UK open banking – questions

The Joint Regulatory Oversight Committee (JROC), consisting of the Financial Conduct Authority (FCA), Payment Systems Regulator (PSR), HM Treasury (HMT) and the Competition and Markets Authority (CMA) invites comments on the questions set out in this document. Comments should reach us by 20 May 2024.

Future Entity

1 Do you agree with JROC's preliminary recommendation of the Future Entity being a company limited by guarantee? If not, what corporate structure would you recommend and why?

2 Do you consider there to be a risk that the recommended funding model, and underlying principles, may unintentionally engender behaviours that are not in the best interests of the entire open banking ecosystem? If yes, how might these be mitigated?

Interim Entity

3 Do you agree that the Interim Entity should be a subsidiary of Open Banking Limited? If not, what structure do you prefer? Please explain why.

4 JROC is seeking input on the method of obtaining appropriate advice for the Board in the interests of the entire ecosystem, including consumers and businesses. Would this best be achieved through advisory groups, or would directors representing certain areas of the ecosystem work better? Please set out your preference and if you believe another mechanism should be explored, please explain what and why.

5 Which option do you think is most appropriate for the appointment of the Board for the Interim Entity? Why do you think that option is preferable?

Responses should be sent to: jroc@fca.org.uk. Alternatively, please send comments in writing to:

Sue Rossiter,
Open Banking Policy
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

The comments and responses will be shared with all JROC members. We are proposing to publish an account of the representations we receive and how we have responded to them. We may also publish a list of the names of the respondents, where those respondents have consented to the publication of their names. In your response, please indicate whether or not you consent to the publication of your name. The comments provided as part of your response will be provided to all members of JROC.

Annex 2: Summary of the proposals contained within this document regarding the Interim and Future Entities

Future Entity

- The Future Entity Working Group developed recommendations on the capabilities of the Future Entity based on its engagement with a wide range of ecosystem participants. JROC agrees with the majority of its recommendations, and also recommends that the Future Entity is capable of promoting open banking, including by acting as a domestic and international ambassador for open banking if agreed by its Board. JROC also agrees that the Future Entity facilitates as appropriate the promotion of innovation and competition in relation to open banking.
- JROC is recommending that the Future Entity takes the form of a UK established company which will build on the functions performed by OBL and the Interim Entity. In turn, the Future Entity should take into consideration the interest of the open banking ecosystem as a whole.
- JROC is recommending that the Future Entity should be a company limited by guarantee.
- JROC is proposing that the Board members of the Future Entity become the only guarantors, but the funders of the Future Entity are given the ability to have a say in the election of certain Board members. This is a similar model to the current OBL model.
- JROC is recommending that an Appointments Committee is established to advise on the selection of the Board.
- JROC is proposing that the Future Entity Board consists of, at least, an independent Chair, CEO, and Chief Risk Officer. While JROC expects the Board to act in the interest of the entire ecosystem, it recommends that the Board also include non-executive directors tasked with bringing expertise relevant to the functioning of the Future Entity and representing the different interests of ecosystem participants, including initially ASPSPs, TPPs, consumers and businesses.
- JROC is also recommending that an Interim Entity Director and OBL Director are appointed until the transition from the Interim Entity to the Future Entity is complete and the Future Entity has taken on the functions currently performed by OBL. Both roles would cease following the competition of the transition to the Future Entity. after which the Interim Entity Director role ceases. Similarly, the OBL Director role will cease after the Future Entity takes on the functions of OBL. These directors would need to manage any conflicts of interest which might arise in any transfer of assets from OBL or the Interim Entity to the Future Entity.

- The capabilities of the Future Entity that JROC is recommending are as set out below (although note that there will be the need for additional capabilities or functions over time which will be for the Board of the Future Entity to determine as appropriate). JROC recommends that the Future Entity should as a minimum:
  - Act as the primary standard-setting body for open banking services;
  - Monitor API performance and ecosystem participants' conformance with standards;
  - Monitor and encourage firms' adherence to standards (regulatory enforcement action would sit with regulators rather than the Future Entity);
  - Provide core support services to ecosystem participants (including complaints and dispute resolution);
  - Provide certificate services;
  - Provide directory services;
  - Facilitate the development of commercial arrangements;
  - Coordinate with sub-sector specific regulators and organisations as appropriate to ensure effective development of the ecosystem; and
  - Maintain a policy function which can be expanded to support wider data-sharing initiatives in future, if appropriate.
- JROC recommends that the Future Entity prioritise providing delivery and certificate services but undertake a formal assessment for how directory and certificate services should be delivered under the long-term regulatory framework (and share with JROC).
- JROC expects the Future Entity to have the ability to develop standards and guidance that enable ASPSPs to build premium APIs facilitating the introduction of new open banking products and services.
- JROC expects that the long-term regulatory framework will include requirements for firms to provide adequate funding for the operation of interface bodies such as the Future Entity. The FCA expects to be able to use relevant powers under the long-term framework to ensure, where necessary, that the Future Entity's funding model is both sufficient to enable it to function as required, and consistent with core principles.
- JROC recommends that the Future Entity Board develops the final funding model for the Future Entity in accordance with the pricing principles previously identified by JROC, the FEWG recommendations, the need to bring about certain behaviours in the ecosystem, and the long-term regulatory framework.
- JROC's preliminary recommendation is that a funding model is established which (i) shares the fixed costs of the Future Entity equitably across ASPSPs and TPPs using a tiered model; and (ii) shares the costs of developing, delivering and operating premium APIs across the firms who wish to develop and/or offer the specific premium API, using a "per use" or flat fee model. JROC, however, recognises that a final decision on the funding model will be taken by the Future Entity Board.
- JROC recommends that the fees representing the fixed cost elements of the Future Entity are split between ASPSPs and TPPs on a tiered basis, with there being four categories for each type of firm. The fixed costs represent the central services available to all open banking participants and carried out for the benefit and smooth operation of the ecosystem.

- JROC recommends that the Future Entity engages with the open banking ecosystem and develops the capability to supports the development of standards, or other arrangements, for use by firms offering premium APIs. However, it will be necessary for those firms who are developing such premium APIs to contribute to the costs of developing the necessary infrastructure at the Future Entity. JROC is therefore recommending that the Future Entity is able to charge the relevant firm, or group of firms, for its development of any standards and their subsequent use.
- JROC recommends that the Future Entity engages with the open banking ecosystem and develops the capability to support the development of standards, or other arrangements, for use by firms offering premium APIs. However, it will be necessary for those firms who are developing such premium APIs to contribute to the costs of developing the necessary infrastructure at the Future Entity. JROC is therefore recommending that the Future Entity is able to charge the relevant firm, or group of firms, for development of any standards and their subsequent use. JROC considers that the level of this should be determined by the Future Entity Board and fall into two categories: (i) development where fees should be charged, in a cost reflective manner, to those firms looking to launch the product; and (ii) use, using either a 'per use' approach, or a 'flat fee for membership' approach. In each case, the fees set should be reflective of the above funding principles and must be equitable and cost reflective.

The interim Entity

- JROC is recommending that OBL establishes an Interim Entity as soon as practically possible. The Interim Entity will be responsible for the development of non-Order activities, while Order-related activities remain with OBL. JROC anticipates that the Interim Entity will be needed for at least 18 months.
- JROC's preliminary recommendation is that the Interim Entity is established as a subsidiary of OBL, with OBL as its parent company and sole shareholder.
- JROC is recommending that a subsidiary of OBL is established, amongst other reasons, to ensure that any liabilities of the Interim Entity are not passed to OBL. The Interim Entity should be managed independently by its own Board. It should have its own tailored memorandum and articles of association, purpose, policies and procedures and maintain its own management functions. OBL should not have a role in supervising or controlling the Interim Entity and should delegate decision making to the Interim Entity Board.
- JROC expects the Interim Entity, like the Future Entity, to develop standards and guidance that enable ASPSPs to build premium APIs facilitating the introduction of new open banking products and services. These standards and other measures developed by the Interim Entity will need to work in harmony with, and be complementary to, the operations of other relevant bodies.
- JROC considers it imperative that the Interim Entity has an independent Board, working towards developing open banking and delivering the foundations for future developments. No part of the ecosystem should be favoured, and the Interim Entity Board must have members with the skills, expertise, diversity, and independence to progress open banking.
- The Board must ensure that it has proper and due regard to the interests of the ecosystem as a whole and should ensure that beyond the appointment of Non-

Executive Directors on its Board it establishes and receives appropriate advice so that it properly considers the interests of the entire ecosystem. JROC recommends that this is achieved through the creation of ad hoc advisory groups covering specific areas as necessary. JROC should have silent observer status at all Board meetings and should also form an advisory group to the Board. JROC expects the highest standards of governance and decision making by the Board, and expects the Board to regularly report progress, risks and issues to JROC

- JROC has considered various options for the appointment of the Board, with a view to an independent Board being established.
- JROC is recommending that an Appointments Committee is created to establish an independent Board, consisting of seven members.

Annex 3: The Data Protection and Digital Information Bill

3.1 The Data Protection and Digital Information Bill (DPDI Bill) gives the Treasury powers to make regulations in connection with access to customer data and business data, enabling it to establish a long-term regulatory framework for open banking.

3.2 The Treasury is empowered to require firms (including, for example, ASPSPs and/or TPPs) to establish and maintain a body to provide facilities or services, set standards, or make related arrangements, for data-sharing interfaces such as open banking.

3.3 The Treasury may also make regulations to confer powers on the FCA to impose requirements, including via rules, in relation to interface bodies used by the financial services sector. Such rules could require firms to use the interface, standards or arrangements established by the Future Entity, impose requirements on the Future Entity itself, or impose requirements relating to its composition, governance or activities, as well as other matters.

3.4 These requirements can be imposed regardless of whether the entity is required to be set up under regulations, or whether it arose independently. This means that requirements could, in principle, be imposed on the current Open Banking Implementation Entity, as well as any Interim or Future Entity.

3.5 The DPDI Bill allows the Treasury to make regulations enabling interface bodies and certain other persons to charge fees for the purposes of meeting their expenses in performing duties, or exercising powers, imposed or conferred by regulations made under the Bill. Alternatively, the Treasury may by regulations enable the FCA to make rules requiring certain firms and interface users to pay fees.

3.6 Regulations may enable the FCA to impose additional requirements on a person to review conduct, take remedial action or make redress for loss or damage suffered as a result of misconduct, and make provision about enforcement action, including monetary penalties.

3.7 The regulations must specify matters to which the FCA must have regard when exercising functions conferred by the regulations, and must make provision about the procedure for making rules. They may also require the FCA to carry out a costs benefits analysis before making rules, and require it to publish rules and guidance.

Annex 4: FEWG assumptions

The Future Entity Working Group (FEWG) and its subgroups looking at the capabilities, funding and governance of the Future Entity developed assumptions to underpin their work. These assumptions are set out below and have not been adopted by JROC, although they have been considered as they form part of the FEWG report.

The **Capabilities subgroup's** base assumptions were:

- CMA Order will end, and a new long term regulatory framework (LTRF) is established;
- No levy, and funding model to generate revenue from more than just CMA9;
- FE to ensure delivery of certain capabilities, but there will be flexibility on delivery model (i.e., entity can use competitive tender to outsource to third-parties activities); and
- Future Entity needs to be scalable for open finance scenarios. While FE could in theory provide services for Smart Data development, it is out of scope of this exercise.

The **Capabilities subgroup** also stated that:

- When we reference 'open banking/finance data-sharing' services or capabilities we are referring to the standards, monitoring, policy development, operational support or trust services delivery in relation to Account Information Services; and
- When we reference 'open banking payment' services or capabilities we are referring to the standards, monitoring, policy development, operational support or trust services delivery in relation to Payment Initiation Services.

The **Funding subgroup** agreed the following set of assumptions:

- **Model:** Any initial model must support a Minimal Viable Entity (as established by the Capabilities subgroup);
- **Transition Stage:** Until the CMA Retail Order is replaced by a formal open finance framework, funding for core and supporting services may remain with the CMA9, but if regulation allows, transition could allow for an earlier introduction to the new funding model;
- **Future Entity:** The FE may become responsible at a later date for core services to a wider swath of stakeholders brought into the regulatory ringfence under the auspices of a formal open finance framework;
- **Core Services:** Core capabilities and any support services that benefit the whole of the ecosystem will be funded by all who benefit; and
- **Premium Services:** New (premium) services will be funded by those who request/want to develop those additional services.

The **Funding subgroup** also considered the following base assumptions:

- CMA Order ends, and new regulatory regime is established;
- No levy, and funding model to generate revenue from more than just CMA9;

- FE to ensure delivery of certain capabilities, but there will be flexibility on the delivery model (i.e., entity can use competitive tender to outsource to third-parties' activities); and
- Future Entity needs to be scalable for open finance scenarios. While FE could in theory provide services for Smart Data development, it is out of scope of this exercise.

The **Governance subgroup** developed the following assumptions for the end-state FE:

- The FE must be established as a not-for-profit corporate body, capable of generating surpluses to maintain adequate operational reserves;
- The FE will be subject to joint oversight by the FCA and/or PSR under the LTRF:
  - The LTRF is assumed to include Smart Data legislation requirements related to open banking (as currently delivered), and the secondary legislation that will ultimately address open finance requirements;
  - The LTRF is also assumed to replace the CMA’s Retail Banking Order, which will be reviewed at the appropriate time; and
  - The regulatory oversight will be inclusive of what to do; how to execute that will be in the realm of the FE Board.
- The FE is not a public body, nor a regulator, but will have the power to set its own rules and frameworks;
- The FE must be financially sustainable;
- The FE must be scalable and interoperable with the implementation and delivery framework required of potential open finance and Smart Data schemes;
- The FE governance model must incorporate current best practices and be subject to periodic review as deemed necessary by the regulators, or as called for by industry:
  - The work that the OBL has done to bring its house in order following the Allison White Report is predicated on best practices, and many of those changes will remain in place under the new governance model.
- The FE stakeholder representation will include end customer representation across all committees and decision making bodies:
  - Stakeholder representation will also evolve as additional stakeholders are included in the regulatory ringfence under the LTRF.

In addition, the **Governance subgroup** considered assumptions for the transition to the end state:

- The FE and OBL must fully comply with relevant law and regulation, maintaining high standards of corporate governance throughout transition (i.e., there will be no special arrangements or dispensations. Transition may not have an easily identifiable end date, therefore this requirement may be in place for an unknown period of time.

Annex 5: FEWG recommendations and response

The Future Entity Working Group was created to provide JROC with industry led recommendations on the capabilities, funding and governance of the Future Entity. The FEWG was tasked with providing recommendations for the Future Entity, they were asked to consider how it would transition from the current state to the end state. As we have developed these proposals we have established that there will be an **Interim Entity** that will undertake non-Order activities until the long-term regulatory framework has been set up and the **Future Entity** is in place.

The report was presented to JROC in November 2023. The main recommendations are set out below with a commentary on whether they have been adopted in this report and if not why.

Recommendations on Capabilities

The base assumptions were:

- CMA Order will end, and a new long-term regulatory framework is established;
- No levy, and funding model to generate revenue from more than just CMA9;
- Future Entity to ensure delivery of certain capabilities, but there will be flexibility on delivery model (i.e., entity can use competitive tender to outsource to third-parties activities); and
- Future Entity needs to be scalable for open finance scenarios. While the Future Entity could in theory provide services for Smart Data development, it is out of scope of this exercise.

  These assumptions have been **adopted.**

The subgroup also stated that:

- When we reference 'open banking/finance data-sharing' services or capabilities we are referring to the standards, monitoring, policy development, operational support, or trust services delivery in relation to Account Information Services; and
- When we reference 'open banking payment' services or capabilities we are referring to the standards, monitoring, policy development, operational support, or trust services delivery in relation to Payment Initiation Services.

  These references have been **adopted.**

The recommendations were:

- The Future Entity should be the primary standard-setting body for open banking and open finance services mandated under a future regulatory framework.

  This recommendation has been **adopted.** The Interim Entity will undertake non-Order activity.

- The Future Entity should undertake monitoring of API performance and standard conformance.

  This recommendation has been **adopted.** The Interim Entity will have the capability to undertake the monitoring of non-Order API performance and standard conformance.

- The Future Entity should encourage firm's adherence to standards but shouldn't have the ability to take enforcement measures against firms.

  This recommendation has been **adopted.** Throughout the period of the Interim Entity the FCA will continue to supervise authorised firms and will be able to take enforcement measures if firms do not meet their obligations under the payment services regulations or the FCA's Approach Document. While the Order remains in place the CMA will continue to be able to take enforcement action if the CMA9 do not meet their obligations under the Order. The long-term regulatory framework will result in secondary legislation that would enable the government to empower the FCA to oversee data-sharing (read and write) requirements applying to firms who hold or receive data or offer services within the scope of a Smart Data scheme for open banking. The PSR will continue to maintain regulatory oversight of designated payment systems and participants within them.

- The Future Entity should maintain its current policy function but look to expand it to accommodate open banking's eventual transition into open finance.

  This recommendation has been **adopted.**

- The Future Entity shouldn't undertake open banking promotional services, aside from basic provision of public information. This, however, may require a change to its regulatory objectives to clarify what constitutes 'reasonable promotion'. The government and regulators should play a key role in promoting services.

  This recommendation has **not** been **adopted.** JROC believes that in order for open banking propositions to deliver benefits to consumers and businesses it is appropriate that these would need be promoted and that the Future Entity is in the best position to set out how open banking works and how consumers and end users can be assured of its benefits.

- The Future Entity should provide core support services.

  This recommendation has been **adopted;** the Interim Entity will provide core services for non-Order activities until the Future Entity is in place.

- The Future Entity should continue to provide certificate services but:

  i will move immediately to reduce costs; and

  ii may develop a roadmap to bring about an open market for certificate provision within one to two years

This recommendation has been **noted,** but this will be a suggestion to the Future Entity rather than an instruction.

- The Future Entity should provide directory services but seek to reduce costs. The Future Entity should allow firms to use the directory to adhere to EEA regulatory obligations and develop a bespoke funding arrangement regarding this. Moreover, the FCA should enhance its permissions register to make it machine-readable.

  The first part of this recommendation has been **noted,** given it will be a decision for the Future Entity Board regarding whether it is in a position reduce costs. The rest of the recommendation is **adopted** (with the FCA to consider changes to the permissions register in accordance with the maintenance and development of the FCA register.

- The Future Entity should be able to facilitate the development of voluntary commercial arrangements (e.g., VRP).

  This recommendation has been **adopted.**

- The Future Entity should coordinate with sub-sector specific regulators or operational bodies to ensure the effective development of the ecosystem.

  This recommendation has been **adopted.**

Recommendations on Funding

The subgroup agreed the following set of assumptions:

- **Model:** Any initial model must support a Minimal Viable Entity (as established by the Capabilities subgroup);
- **Transition Stage:** Until the CMA Order is replaced by a formal open finance framework, funding for core and supporting services may remain with the CMA9, but if regulation allows, transition could allow for an earlier introduction to the new funding model;
- **Future Entity:** The Future Entity may become responsible at a later date for core services to a wider swath of stakeholders brought into the regulatory ringfence under the auspices of a formal open finance framework;
- **Core Services:** Core capabilities and any support services that benefit the whole of the ecosystem will be funded by all who benefit; and
- **Premium Services:** New (premium) services will be funded by those who request/want to develop those additional services.

  These assumptions have been **adopted** and are reflected in this report.

Prior to the introduction of the long-term regulatory framework, the PSRs require that:

- Access to AIS and PIS APIs continue to be provided to all authorised AISPs and PISPs without the need for a contract (and by implication without charge), and
- Firms other that the CMA9 (and non-CMA9 ASPSPs by agreement) are not mandated to provide funding towards OBL/Future Entity activities within the scope of the CMA Order.

  These will be considered as part of the development of the long-term regulatory framework.

Recommendations

- The funding model should enshrine nine principles (Fair, Proportionate, Clear and Transparent, Simple to Access, Will not lead to bad behaviours, Simple to administer, Avoids barriers to entry, Recognises different business models, Pragmatic).

  These recommendations have been **noted,** given feedback being sought from this paper.

- These principles should be applicable to both the transition phase as well as the final state for the Future Entity.

  These recommendations have been **noted,** given feedback being sought from this paper.

- The transition funding model should move towards a broader arrangement where possible.

  This recommendation has been **adopted** with ASPSPs, TPPs and AISPs being asked to fund the Interim Entity.

- Initial funding of a Future Entity (to cover 6-month cash flow of the new entity) should be sourced from the same range of participants that will be funding the ongoing operation of the Future Entity and based on the same basis of billing as outlined for the funding of the ongoing operation.

  This recommendation has been **noted.**

- JROC should undertake detailed economic modelling for the Future State options. Future State options include the following:
  - **Scenario 1:** Simple pay-as-you-go model;
  - **Scenario 2:** Tiered membership model (four tiers);
  - **Scenario 3:** Hybrid model using both a continuous pay as you go and tiered membership; or
  - **Scenarios 1–3** with an Universal Service Charge (USC) overlay.

  These recommendations have been **partially adopted.** JROC does not want to introduce a universal service charge at this stage as there is insufficient data on how this will impact the development of open banking in the UK. The Board of the Future Entity will be able to determine how it develops its funding model.

Recommendations on Governance

The following assumptions were developed for the governance of the end-state Future Entity:

- The Future Entity must be established as a not-for-profit corporate body, capable of generating surpluses to maintain adequate operational reserves;
- The Future Entity will be subject to joint oversight by the FCA and/or PSR under the long-term regulatory framework:

   - The long-term regulatory framework is assumed to include Smart Data legislation requirements related to open banking (as currently delivered), and the secondary legislation that will ultimately address open finance requirements;
   - The long-term regulatory framework is also assumed to replace the CMA's Retail Banking Order, which will be reviewed at the appropriate time; and
   - The regulatory oversight will be inclusive of what to do; how to execute that will be in the realm of the Future Entity Board.
- The Future Entity is not a public body, nor a regulator, but will have the power to set its own rules and frameworks;
- The Future Entity must be financially sustainable;
- The Future Entity must be scalable and interoperable with the implementation and delivery framework required of potential open finance and Smart Data schemes;
- The Future Entity governance model must incorporate current best practices and be subject to periodic review as deemed necessary by the regulators, or as called for by industry:
   - The work that OBL has undertaken following the Allison White's 2021 report is predicated on best practices, and many of those changes will remain in place under the new governance model.
- The Future Entity stakeholder representation will include end customer representation across all committees and decision making bodies:
   - Stakeholder representation will also evolve as additional stakeholders are included in the regulatory ringfence under the long-term regulatory framework.

  These assumptions have been **adopted.**

In addition, they considered assumptions for the transition to the end state:

- The Future Entity and OBL must fully comply with relevant law and regulation, maintaining high standards of corporate governance throughout transition (i.e., there will be no special arrangements or dispensations). Transition may not have an easily identifiable end date, therefore this requirement may be in place for an unknown period of time.

  This assumption has been **adopted.**

Recommendations

- The Future Entity should be a corporate body without shareholder or member owners, probably a company limited by guarantee, or similar legal form.

  This recommendation has been **adopted.**

- Governance of the Future Entity should adhere closely to the UK Corporate Code.

  This recommendation has been **adopted.**

- The Future Entity's Mission and Purpose should ensure it serves the whole open banking ecosystem, the UK economy and the wider public interest.

  This recommendation has been **adopted.**

- The Future Entity's operational objectives should be along the lines set out by JROC.

  This recommendation has been **adopted.**

- The Future Entity Board should be:
  - Independent, accountable to oversight regulators, unitary, rather than composed of representatives of specific interests, and with a relevant and diverse skill mix and a separate Chair and CEO;
  - Responsible for outcome-based KPIs; and
  - Establish appropriate Board committees with appropriate separation of responsibilities.

  This recommendation has been **adopted.**

- JROC, in accordance with its own legal and financial advice, should assess the costs, benefits and risks of dissolving OBL and transferring OBL assets, liabilities and functions to a "NewCo", compared to keeping OBL in existence and making changes to it.

  This recommendation has been **adopted.**

- Data collation, monitoring and reporting activities, including any future regulatory compliance requirements should be determined by the regulator.

  This recommendation has been **adopted.**

- A clear separation on governance, accounting and funding between Order and non-Order activities.

  This recommendation has been **adopted.** The Interim Entity will be separately constituted and funded to carry out non-Order activities until the long-term regulatory framework is in place.

- Coherent and effective governance of this wider landscape should be an accountability of overseeing regulators under the long-term regulatory framework.

  This recommendation has been **adopted.**

- Stakeholder representation in the work of the Future Entity should comprise formal, strategic and technical input.

  This recommendation has been adopted. It is recommended that the Interim Entity and Future Entity will have advisory panels and committees to provide technical support and stakeholder involvement.

- A "big bang" is unnecessary and risky. Transition should have regard to managing and sustaining the reputations of both entities and the ecosystem with key stakeholders, including employees and contractors.

  This recommendation has been **adopted.**

Annex 6: Strategic Working Group Report: The Future Development of Open Banking in the UK

6.1 JROC convened the Strategic Working Group (SWG), a non-decision making consultative forum to enable industry and stakeholders to share their views and input into the vision for the future of open banking. The SWG reported its findings in February 2023.

6.2 In respect of **Future industry structure** the SWG report noted the following:

6.3 There was, however, a strong preference from many stakeholders that the Future Entity (or entities) should assume the role of a central standard setting body to develop and maintain future Open Banking Standards, with respondents seeing a potential role of the Future Entity as a standards centre of excellence with a broader remit than open banking, thereby supporting the development of long-term open finance and Smart Data capabilities and digital financial infrastructure for the UK economy. A number of ASPSPs highlighted the importance of setting up a Future Entity and felt it should be the first step in the further development of open banking.

6.4 It was also highlighted by a range of submissions, that the Future Entity should have a clear remit to focus on the needs of consumers and small businesses, and to ensure that their views are effectively represented in its governance.

6.5 The proposed capabilities of the Interim Entity and Future Entity suggested in the report are replicated in this report.

6.6 The SWG report noted that for **Core Activities** there was a strong emerging theme from the evidence presented in the SWG report was that certain services should be seen as core to the future development of open banking, which for practical reasons need to be provided centrally. Examples provided by respondents regarding these essential activities were:

- Maintaining the Open Banking Standard to ensure it stays relevant;
- Collecting and collating MI and obtaining additional evidence to help decision-making; and
- Monitoring standards conformance. However, there was some divergence as to whether the Future Entity would provide evidence and outputs to regulators or if it would be given powers to enforce adherence and conformance on participants.

6.7 The first two of these are reflected in this report. The report states that the Interim Entity and Future Entity should monitor compliance with standards that it sets and report to regulators where firms are not complying with those standards.

6.8 For **Non-Core Activities** the SWG report set out a number of activities that are considered non-core:

- Trust services, e.g., entity identity certificates and permissions checking;
- Implementation support; and
- Ecosystem promotion.

6.9 The SWG reports that were considerably divergent views as to how trust services could be delivered in future. Some respondents felt that how this framework is delivered – currently, via the OBIE's Open Banking Directory – should be reviewed, and that alternative delivery models may improve resilience, scalability, and be more affordable, for example trust services could be delivered to an agreed Standard by a number of providers as demonstrated in other jurisdictions. TPPs were not averse to change but cautioned that any changes may risk disruption to the market and any potential disruption had to be carefully managed. A key principle that many respondents supported was that the Future Entity should only support activities that cannot be provided by the market.

6.10 This report sets out a vision where the work of the Interim Entity is restricted to non-Order activity. As services are developed these will be maintained through the Interim Entity and it is expected that the work of the Interim Entity will be scalable. To prevent market disruption, it is recommended that when the Future Entity is established it will be deliver the full open banking directory, but the Board of the Future Entity will be able to consider whether the provision of trust services could be provided by other market players.

6.11 The report noted that a **possible model** for the Future Entity is for its role be limited to the provision of a limited number of core services i.e., standards development, MI collation and conformance monitoring. In addition, other services could be delivered by the Future Entity or via the market.

6.12 To ensure that the gains realised for open banking are continued JROC has agreed that the Interim Entity will provide non-Order activities and as the Future Entity is initiated it will provide core activities and have the capability to enter into contracts with other entities under the direction of the Board of the Future Entity.

6.13 **Alternative Models** were discussed in the SWG report with a few respondents to the SWG held the view that a Future Entity would continue to deliver centralised services, such as Directory services, as currently provided by the OBIE. This was a minority view and several stakeholders cautioned against this approach, particularly if the entity were to take on a broad role with a wide range of responsibilities.

6.14 A very small number of respondents did not believe a Future Entity was needed. However, this was opposed by many respondents on the basis that it would result in a highly fragmented ecosystem leading to lower consumer and SME adoption, and the potential marginalisation of open banking use cases and developments.

6.15 JROC took a view that while the Order remains in place, the Interim Entity will undertake non-Order activities while Order-related activities will remain with OBL. The Future Entity will, at its inception, continue to provide a centralised service, but the Board of the Future Entity will have the capability of developing relationships with other trust frameworks. The SWG report noted that **Funding** was challenging to consider model without knowing what services the Future Entity will provide to deliver for what kind of open banking future. However, there was strong agreement that the development of a sustainable funding model, requiring contributions from a wide pool of industry participants, is required. Although there was further alignment to the principle that any funding model needed to be fair and equitable, there was limited detail regarding how that could be achieved.

6.16 Funding options such as membership fees, regulatory levies and pay per usage fee were featured, but there was no consensus on an optimal approach or even the extent to which different funding methods might be appropriate for each of the Future Entity's activities. Some stakeholders suggested a mixed source and mechanisms of funding would be necessary and represent a constructive way forward.

6.17 A few respondents considered that these activities should be publicly funded given the importance and potential of open banking for the wider UK financial system and the economy. A few expert advisers noted that any future funding approach needed to ensure that there was no correlation between the level of funding and funders' influence on the future direction and strategy of the Future Entity. Some also highlighted the importance of ensuring that the interests of consumers and SMEs were prioritised under any future governance structure.

6.18 JROC has been clear that the Interim Entity and Future Entity will not be public bodies and will need to be self-sustaining with no public funding.

Annex 7: Analysis of the core funding models for the Future Entity

High level analysis of each option against the seven principles

Flat Fee

Fair/Proportionate	No sensitivity to scale of business within categories. Could lead to a degree of fairness across the ecosystem (e.g., majority of cost being covered by ASPSPs with TPPs having a proportionately smaller overall contribution).
Recognises different business models	This would need an explicit methodology to recognise different business models.
Avoids barriers to entry	Likely to have biggest impact on small/new entrants with tight budgets.
Incentivises innovation	Because of barriers to entry, innovative propositions by new entrants may be discouraged. However, existing entrants would have no reason not to experiment.
Clear and Transparent	Clear and predictable.
Will not lead to bad behaviours	May discourage new entrants.
Pragmatic/easy to administer	Very simple, fee could adjust annually based on budget and estimated number of fee-payers.

Pay per use

Fair/Proportionate	If all costs are allocated in this way, fees may be disproportionate for certain business models.
Recognises different business models	Unlikely to reflect scale or type of business.
Avoids barriers to entry	Unlikely to reflect scale of business.
Incentivises innovation	May discourage new products and services if they are not reflected in the charging scheme.
Clear and Transparent	Firms and the Future Entity may struggle to predict likely fees.

Will not lead to bad behaviours	May discourage use of facilities (e.g., technical helpdesk) that are provided for all parts of the ecosystem as parallel services are supplied by other participants.
Pragmatic/easy to administer	Easy to measure and verify.

Pay per API call

Fair/Proportionate	If all costs are allocated in this way, fees may be disproportionate for certain business models.
Recognises different business models	Disadvantages high volume low margin business models.
Avoids barriers to entry	Fees scale to an extent with volume, but disadvantages high volume low margin business models.
Incentivises innovation	While cost scales to an extent with volume, it disadvantages high volume low margin business models.
Clear and Transparent	Predictable and easy to verify.
Will not lead to bad behaviours	Could encourage development of low-quality services to reduce numbers of API calls. Could also encourage efficient use of APIs reducing wider costs of open banking.
Pragmatic/easy to administer	Easy to measure and verify.

Tier by API calls

Fair/Proportionate	If all costs are allocated in this way, fees may be disproportionate for certain business models.
Recognises different business models	Disadvantages high volume low margin business models.
Avoids barriers to entry	Fees scale to an extent with volume, but disadvantages high volume low margin business models.
Incentivises innovation	While cost scales to an extent with volume, it disadvantages high volume low margin business models.
Clear and Transparent	Predictable and easy to verify.
Will not lead to bad behaviours	Could encourage development of low quality services to reduce numbers of API calls. But could also encourage efficient use of APIs reducing wider costs of open banking.
Pragmatic/easy to administer	Easy to measure and verify.

Tier by entity size

Fair/Proportionate	Highest costs borne by largest entities with potentially most scope to absorb the cost. However not necessarily proportionate to scale of open banking activity.
Recognises different business models	Not proportionate to scale of open banking activity.
Avoids barriers to entry	Low entry barriers for start-ups, but may disincentivise entry from adjacent markets by established players. May result in a perverse incentive not to grow at the edge of tiers.
Incentivises innovation	Low entry costs that scale with size likely to incentivise exploration of innovative 'free standing' propositions. However deters large incumbents from leveraging open banking as part of a wider business model.
Clear and Transparent	The simpler the tiering/categorisation the more transparent.
Will not lead to bad behaviours	Likely to incentivise subsidiarisation of OB entities to minimise size of 'fee paying' organisation – an option most available to sophisticated entrants/players e.g., big tech. May result in a perverse incentive not to grow at the edge of tiers.
Pragmatic/easy to administer	Data may not be readily available, may rely on firms' own reporting. The simpler the tiering model the simpler to administer.

Tier by Profits

Fair/Proportionate	Clear link to benefit derived from the Future Entity's standard setting activities. However, risk of reported profits not being reflective of economic reality. May disadvantage firms that add a lot of value to OB data, compared with firms providing minimal value add services. No provision for non-profit data users to contribute to ecosystem.
Recognises different business models	While the metric is business model neutral, it may disadvantage firms that add a lot of value to OB data, compared with firms providing minimal value add services.
Avoids barriers to entry	Avoids costs falling on start-up/scale up/not yet profitable businesses.
Incentivises innovation	Avoids costs falling on start-up/scale up/not yet profitable businesses.
Clear and Transparent	Banks, and possibly other ecosystem participants likely do not disaggregate profits by business line in this way, so costly for firms to analyse. Very difficult to objectively validate.
Will not lead to bad behaviours	Given these figures would be largely self-reported, there would be no practical way to 'check firms' working' on a large scale. Risk of either wilful misreporting or creative accounting.
Pragmatic/easy to administer	Banks, and possibly other ecosystem participants likely do not disaggregate profits by business line in this way, so costly for firms to analyse. Risk of disputes about whether all pay a fair share.

Annex 8: Options for the corporate structure of the Interim Entity

Option 1: Interim Entity as parent, OBL as subsidiary

8.1 JROC considered the model where the Interim Entity is inserted in the corporate structure as the parent of OBL. Given that following transition to the Future Entity the functions and assets of OBL should transfer to the Future Entity, setting the Interim Entity up as the parent of OBL and then using the same corporate entity as the Future Entity is attractive.

8.2 However, this proposed structure gives rise to a number of complications, resulting in the fact that it would take some time to establish the Interim Entity in this way and pose risks to OBL in the event of insolvency of the Interim Entity. These complications include:

- OBL is a company limited by guarantee. As a company limited by guarantee, to establish a parent subsidiary model with the Interim Entity as parent, OBL would need to be re-established as a company limited by shares, and those shares transferred to the Interim Entity. This would require appropriate consents from the CMA and consultation with the CMA9 and the agreement of the Trustee;
- As sole or majority shareholder of OBL, the Interim Entity may have some control over the operation of OBL, which may not be compatible with the Order;
- In the event of an insolvency of the Interim Entity, OBL would be an asset of the Interim Entity and could be sold by an appointed Insolvency Practitioner to reduce losses to the Interim Entity's creditors; and
- From a practical perspective, the ownership structure of the Interim Entity would need to be decided immediately. For the purposes of the Interim Entity, which JROC is looking to establish as soon as possible, setting out this ownership structure would add unnecessary time to the establishment of the Interim Entity.

Option 2: A new parent company with OBL and Interim Entity as subsidiaries

8.3 This option would have similar considerations to Option 1 and as such is not being recommended by JROC.

8.4 One advantage of this suggested structure however is that in the event of an insolvency of the Interim Entity, OBL would not be at risk of sale to satisfy the creditors of the Interim Entity. However, it would be subject to this risk if the parent company were to enter into an insolvency process.

Option 3: Two separate, unrelated, companies

8.5 This option is attractive as both companies would be separate, with no need to change the current structure or ownership of OBL. However, the ownership structure of the Interim Entity would need to be determined prior to the Interim Entity being established. In addition, resources and information would likely need to be shared between the entities on arm's length terms, raising issues around VAT (which could be chargeable) and data-sharing.

Option 4: OBL as the single entity which undertakes non-order activities

8.6 OBL was established under the CMA Order to fulfil the role of the Open Banking Implementation Entity. JROC is grateful for OBL having progressed the JROC non-order workstreams to date, but acknowledges that this activity is not naturally within the function of OBL and a formal solution is now needed for the period until the long-term regulatory framework is established.

Recommended: Option 5: OBL as parent, Interim Entity as subsidiary

8.7 This option involves OBL itself setting up a corporate subsidiary, of which OBL would be the sole shareholder. This would result in the Interim Entity being a separate legal entity from OBL, with separate governance arrangements. The two companies would however be in the same group, making it easier for them to share information and resources, whilst ringfencing funding and costs.

8.8 The Interim Entity in this structure would be a separate legal entity, and should it not be successful, the insolvency of the Interim Entity would not affect OBL.

8.9 JROC considered if the fact that OBL would be a sole shareholder may raise concerns in relation to the independence or perceived independence of the Interim Entity and its autonomy in carrying out non-Order workstreams. Whilst the control of a sole shareholder is set out in companies legislation, JROC considers that the purposes of the Interim Entity can be achieved as a subsidiary of OBL and that OBL will act in the best interests of the ecosystem and support the aims and objectives of the Interim Entity. The purposes of the Interim Entity can be clearly specified within its articles of association and memorandum of association, and it is expected that the Interim Entity will keep JROC informed of its progress and to raise any difficulties to the attention of JROC. The Interim Entity would not be permitted by its constitutional documents to distribute profits to its shareholder and would act as a not for profit organisation. In the future, the new entity may need to transition to different corporate structure arrangements (subsidiaries for different functions etc.) but fundamentally it is envisaged it will grow into the role of Future Entity/interface body.

Decision as to Recommendation

8.10 JROC is therefore recommending this option and calling upon OBL to establish a subsidiary with the purpose of progressing the JROC non-Order workstreams as soon as possible, after achieving all requisite consents from the CMA.

Annex 9: JROC Workstreams

Workstream 1: Levelling up availability and performance

- Design a data collection framework for API availability and performance and submit to the FCA and the PSR for approval.
- Conduct the data collection and analyse data following FCA and PSR approval.
- Consult, if needed, on changes requiring reporting additional data for API availability and performance.

Workstream 2: Mitigating the risks of financial crime

- Assess conformance with the FCA's existing guidance in relation to payment limits.
- Design a data collection framework for financial crime and submit to the FCA and the PSR for approval.
- Conduct the financial crime data collection and analyse data following FCA and PSR approval.
- Implement the use of open banking-based data-sharing in Faster Payments to reduce fraud.
- Implement effective financial crime prevention tools for TPPs and ASPSPs (for example, TRIs).
- Consider how API-based data-sharing can be broadened out beyond APP fraud and report findings to the FCA and the PSR.
- Consult, if needed, on mandating data-sharing, on the use of financial crime prevention tools (including data-sharing) and/or on additional tools or requirements for high-value payments.

Workstream 3: Ensuring effective consumer protection if something goes wrong

- Perform a gap analysis of dispute processes.
- Consult, if necessary, on additional dispute process or protection requirements in open banking.

Workstream 4: Improving information flows to TPPs and end users

- Perform a gap analysis of consistent and definitive payment statuses in Faster Payments and open banking.
- Consult, if needed, on changes to error code requirements.
- Consider whether further alignment between open banking and Faster Payments error messages is needed.
- Consult, if needed, on whether to require consistent and definitive messaging regarding the payment status.

Workstream 5: Promoting additional services, using non-sweeping VRPs as a pilot

- Publish terms of reference for a working group on expanding VRPs beyond sweeping use cases.
- Publish a discussion paper on principles for commercial frameworks for premium APIs.
- Draft a delivery plan and framework to enable a phased rollout of non-sweeping VRPs:
  - Consult, if necessary, on changes to Faster Payments to enable a phased rollout of non-sweeping VRPs;
  - Conduct consumer research to identify critical and future use cases and risks for (vulnerable) consumers;
  - Consult, if needed, on requirements to support non-sweeping VRP rollout and/or on whether to adopt a wider multilateral agreement for premium APIs;
  - Support testing of innovative data-sharing, authentication and identification propositions; and
  - Implement a multilateral agreement or rulebook for premium APIs.

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