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Dear Imran

Open Letter to the OBIE from the Emerging Payments Association

The Emerging Payments Association (EPA), comprising over 120 members drawn from across the payments value chain, calls on the Open Banking Implementation Entity (OBIE) to consider new actions to ensure that the requirements set out in the Competition and Market Authority's (CMA) market investigation into retail banking are met, and to ensure that Open Banking is a success.

The era of Open Banking, which gives third party providers (TPPs) access to account information and certain payment functionality, was formally introduced in January this year with the coming into force of the Payment Services Regulations 2017 (PSRs), alongside key deadlines in the Open Banking framework imposed by the CMA as a result of its market investigation – with mixed results. The OBIE, as the CMA's appointee to oversee the implementation of Open Banking, is tasked with implementing measures to ensure that the vision for improved competition and innovation within financial services is realised.

The OBIE has already overseen the implementation of a substantive and detailed framework by introducing technical API and data standards, ensuring the UK is ahead of other member states in making Open Banking a reality. However, new entrants into the marketplace continue to struggle to exploit the opportunities presented by Open Banking for a number of reasons, ranging from mixed public perception, to technological difficulties associated with integrating banks' legacy systems with API-enabled platforms. Unless these issues are addressed, there is a real risk that Open Banking will lose its momentum, preserving the status quo, and ultimately failing customers.

The key concerns of EPA members are set out below.

Banks' compliance with Open Banking

EPA members have noted that the nine banks currently covered by the CMA framework have displayed varying levels of enthusiasm in embracing some aspects of Open Banking, with some being described as striving to meet the letter, rather than the spirit, of Open Banking. In an era of heightened concerns around data security and a lack of commercial incentive to go "over and above" the strict regulatory requirements, this is perhaps unsurprising.

Therefore, the EPA urges the OBIE to elaborate on aspects of the detail behind the framework it has implemented, in order to provide more clarity to banks and TPPs alike on the services and obligations that will combine to create the core of the desired customer experience. This is essential to allow Open Banking to be fully integrated into, and embraced in, the market. Such clarity is also essential to encourage TPPs to make the necessary long-term investments in their products and services, which will provide customers with the innovative services and the better outcomes envisaged by Open Banking and reduce the anti-competitive effects that the CMA Order was introduced to combat.



The importance of getting Open Banking right is made even more important as we approach Brexit, with pressure to ensure that the UK sets the gold standard in Open Banking and remains the European hub for FinTech.

Public perception and consumer protection

Concerns around consumer protection and data security, together with unfavourable press coverage, have resulted in Open Banking receiving a somewhat cool response from consumers. EPA members believe that this lack of understanding and trust in Open Banking presents a significant obstacle to customer uptake.

To overcome this obstacle, the EPA believes it is essential to explore ways to improve the messaging around Open Banking and to provide certainty and protection to customers. Some EPA members have suggested that the following ideas should be explored in this regard:

- Since customer understanding seems to be low, we think a necessary part of the success of Open Banking must include broader customer education covering the existence of Open Banking, the potential customer benefits presented by it, and customer rights under the legal framework;
- Ensure that banks and TPPs comply with their obligations to explain clearly to their customers how to raise disputes with their bank, even where a TPP has been involved, perhaps adopting industry-standard language to ensure clarity and consistency across the market;
- Explore how the refund process, in relation to payment initiation services, might be publicised so as to promote consumer adoption; and
- Consider introducing a new, recognisable, standard for those TPPs with high levels of trustworthiness and quality; for instance, in addition to the information about being FCA-authorized, consider whether TPPs and/or banks could or should introduce a “kite mark”, or similar badge of quality. This could also help with public awareness of the existence of Open Banking functionality.

API standards

A number of EPA members have reported that some banks are rolling out APIs or updates to them without adequately testing them first, with the result that the TPPs are in effect carrying out testing on behalf of the banks, which has in turn forced TPPs to expend scarce time and resources to identify problems that ought to have been caught by internal testing prior to release.

Anecdotally, the EPA has heard that some banks have suspended APIs due to technical issues and provided a short-term workaround to TPPs so the APIs can be used in the interim, but TPPs have not been notified that the eventual fix has been implemented, thereby causing disruption to the TPP platforms that have continued to rely on the short-term workaround.

Therefore, the EPA recommends that banks be required to test APIs to ensure that they function properly before they are made available, and to communicate proactively with TPPs in anticipation of any modifications to, and /or workarounds for, the APIs. This should include the banks sharing with TPPs a business and technical level summary of the changes made to the API on each release, with a description of the scenarios tested and their corresponding results.

Data standards

EPA members have concerns around the quality and consistency of the data obtained through the Open Banking APIs. For example, transaction and account data provided by one bank can differ from that provided by another, leaving TPPs struggling to provide customers with a consistent view of all of their transaction data across their various bank accounts.

In addition, some TPPs are concerned that the scope of the data obtained through the Open Banking APIs is too narrow to enable TPPs to provide their services to customers effectively. The following are examples of some of the problems with the data that have been brought to the EPA’s attention:

- Some banks provide only two years’ worth of transaction data, rather than the entire history;
- Some banks only indicate the date a transaction was settled, not the time at which it was authorised – which is the data point that will have meaning to customers;



- TPPs would benefit from seeing pending transactions as well as settled transactions so as to have a full view of funds available in the relevant account;
- Where pending transactions are shown, the data is sparse and contains insufficient detail for a customer or a TPP to be able to use it effectively; and
- Some banks do not provide the name, the address, nor the date of birth, of the account holder.

Withholding such data has a direct impact on TPPs' ability to provide better services to their customers. The lack of the name of the account holder in particular carries with it an increased fraud risk: for instance, where an AISP uses transaction data to provide credit scoring, without the customer's name, address and date of birth, the AISP cannot properly verify that it is seeing the transaction data of the correct individual, rather than someone with a better credit history who is assisting the user in obtaining credit fraudulently.

At present, banks can choose whether to make optional data fields available through the Open Banking APIs. Given the lack of incentive for banks to make the optional fields of data available to TPPs, the EPA recommends that banks are compelled to make more data available in order to maximise the benefit to consumers, increase security and stimulate innovation.

Variable Recurring Payments

Some additional items were included in the roadmap earlier this year with the amendment to the original CMA Order. These included Variable Recurring Payments (VRP) for both recurring fixed payments and a variable future-dated payment; made using prepaid providers and many other TPPs. While this is not required under PSD2, it is important to the EPA community of TPPs.

If VRP is not included under the next phase, then this will disable a number of critical use cases for our members. Without SVP, we believe that the adoption of Open Banking by wallet providers and prepaid providers is likely to be significantly reduced.

Customer journey

At present, the fact that the customer authentication process varies between banks is a concern for some TPPs, but of much greater concern is that the authentication process for account information services diverges considerably from that used by some banks' digital platforms. Specifically, TPPs have identified that the authentication process for account information services is slow, clunky and presents a customer journey which is aesthetically different to the customer journeys for a bank's app and its online banking. In one case, such was the appearance of one bank's redirected authentication site, that a customer would probably doubt the authenticity of the user journey altogether.

The EPA welcomes the Commission Delegated Regulation (EU) 2018/389 of 27 November 2017 with regard to regulatory technical standards on strong customer authentication (SCA). However, some members have raised concerns that, in the absence of other rules governing the customer journey, even once the SCA comes into force in September 2019, it provides the banks with too much flexibility in how they develop the user interface, and that this flexibility could be used by some banks in a way which would have a detrimental effect on overall user experience.

Therefore, the EPA recommends that, to the extent practicable, the nine major banks are required to adopt a redirect authentication process (both before and after the SCA comes into force) which has a "look and feel" that is essentially identical to the authentication process used for its other online platforms. The EPA also recommends that the manner in which a customer is authenticated is no more cumbersome or time-consuming than the other methods of authentication a bank uses for its other digital platforms, and ideally less so.

Screen scraping vs APIs

A recent change in the Order required OBIE to build an API capability that would enable the emerging payments community to interact more easily with the rest of the industry. Within the RTS, which we see as, 'How Open Banking will happen technically', there are now a set of clauses that require TPPs and payments services providers



to integrate with Open Banking's APIs soon or choose an alternative route. Essentially, the PSP community has a choice to make – either use the Open Banking APIs or apply for an exemption within the RTS and build an alternative capability.

Few of our members seem to be currently engaged with this decision, nor are many of them aware of the need to do so. They have not been provided with sufficient clarity or guidance, nor are many of them fully aware of the costs and implications of each route.

The EPA calls for deeper engagement between OBIE and the PSP/TPP community regarding the benefits of APIs; the trade-off between the different choices they can make under the RTS, and the costs and implications of their decisions.

Communication and support

The briefing event by the OBIE to the EPA community on July 3rd should be seen as the start of this enhanced engagement between the Open Banking Implementation Entity and the wider payments community. Subsequently, we would like each company to receive a briefing from OBIE on the costs and implications of both options. In this way we are likely to see greater adoption of Open Banking by PSPs, and even more innovation and effective use of PSPs by consumers and businesses as a result.

The EPA would also like to see additional support for our members from OBIE for bringing new propositions to market. It will be hard to achieve the hoped-for level of innovation from TPPs without this support. We would like to see pre-launch and launch support provided by OBIE for our members on each of their products or programmes. It would also make sense for OBIE to provide additional support for our community members through the roll-out of each of their programmes.

Finally, the EPA would like to engage with any consumer or industry forum about Open Banking that would allow enhanced communication between the EPA community and the OBIE.

Scope of Open Banking

As identified in the CMA's market investigation, the scope of the framework implemented by the OBIE to date, while detailed, only addresses part of the wider market in financial services, namely consumer and SME current accounts, overdrafts and some loans.

Some EPA members have raised concerns that customers wishing to obtain account information services and payment initiation services may be deterred by the current framework's relatively narrow focus.

The EPA is aware that OBIE will in the future widen the scope of its mission to include other payment accounts such as credit cards and online e-money accounts and encourages the OBIE to do so as soon as is feasible.

Conclusion

The role of the OBIE is to implement the framework of rules imposed by the CMA following its market investigation into retail banking, with the overarching aim of opening up the retail banking market and improving competition and innovation.

Although the framework imposed by the CMA goes far beyond the relatively basic requirements set out in the PSRs, the evidence we have seen so far shows that it is not yet prescriptive enough on the detail and manner in which Open Banking should be implemented to ensure that TPPs and others from the emerging payments community engage with and help make Open Banking a success.

Where banks limit their participation in Open Banking to a strict compliance with the letter of the PSRs and apply inconsistent approaches to implementing the CMA's framework, the adoption and progress of Open Banking is threatened, resulting in a significant risk that the anti-competitive effects that the CMA sought to remove will remain unaffected.



As such, we ask that the OBIE take steps to enforce and, where appropriate, amend the terms of the CMA's framework, as anticipated by Article 10.6 of the CMA Order, to ensure that the vision for Open Banking is fully realised. We are keen to cooperate with the OBIE in practical ways to help make this happen, to the benefit of all stakeholders.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tony Craddock'.

Tony Craddock, Director General, EPA
For and on behalf of the EPA Advisory Board

With special thanks to members of the technology team at Kemp Little who listened to the many voices of the emerging payments community and produced this Open Letter on behalf of the EPA. For more information, visit www.kemplittle.com.

About the EPA:

The Emerging Payments Association (EPA), established in 2008, connects the payments ecosystem, encourages innovation and drives profitable business growth for payments companies. Our goals are to strengthen and expand the payments industry to the benefit of all stakeholders.

We achieve this by delivering a comprehensive programme of activities for our members with help from an independent Advisory Board, which addresses key issues impacting the industry. These activities include:

- 12-month events programme
- Annual Black Tie award ceremony
- Leading industry change projects
- Lobbying activities
- Training and development
- Research, reports and white papers

The EPA is over 120 members strong and growing at 30% annually. Our members come from across the payments value chain; including payments schemes, banks and issuers, merchant acquirers, PSPs, retailers, and more. These companies have come together, from across the UK and internationally, to join our association, collaborate, and speak with a unified voice.

For more information, visit www.emergingpayments.org or email the Director General, tony.craddock@emergingpayments.org.