

Open Forum on Open Banking

Terms of Reference

Background and context

Over the past few years, the transaction banking industry has been witnessing a period of accelerating transformation, with evolving customer needs and expectations, new technology, new market entrants and new regulatory requirements acting as key change drivers. These change drivers – and the digitisation of payments and other financial transactions that they have been progressing – continue to profoundly modify the service space between payment service providers (PSPs) and their customers.

Against this general background and in view of the implementation of the revised Payment Service Directive (PSD2) in particular, the PSPs are in the process of reviewing their internal process flows, their business models, potential co-operation models as well as infrastructure and access policies. PSD2 provides a legal framework that, among other things, opens access to the payment accounts of PSP customers to other service providers. These Third Party Providers (TPPs) may initiate payments on behalf of the account holder or provide payment account information.

From a strategic perspective, the PSD2 provisions and the regulatory technical standards to be provided by the European Banking Authority will create the regulatory basis for opening up the European payments sector to the practical implementation of open banking concepts. Open Banking revolves around the standardisation of how banks share their own data, but also how banks allow customers more choice and sharing of their data for use in third party (fintech) applications in a secure and resilient fashion. Open Banking can thus be seen as an evolution of banking, leading to more transparency, customer choice and customer control over personal data.¹

While the PSD2 provisions on opening access to payment accounts still remain to be implemented, some industry players are already investigating how the idea of Open Banking could be extended beyond payment initiation and account information. The intent is to understand and reap new opportunities that may arise in the future financial services space and to successfully cope with any challenges, such as interoperability.

In this context, the development and implementation of smart access models are of particular practical interest, since they will be key for the creation of an environment where customers can productively combine services from different providers. For the delivery of such access models, considerations on secure technical and procedural access standards (e.g. the potential need for a framework on Open Banking APIs) will have to be taken into account and further evolved.

Several industry groups have already kicked off work streams to evaluate and further discuss considerations around the topics of open access and Open Banking. Two noteworthy examples are the Euro Banking Association's Working Group on Electronic and Alternative Payments, which has issued two papers dealing with aspects of connecting the services of different providers in standardised ways² and the UK-based

¹ This description of Open Banking and further elaborations can be found on pages 14 –15 of the information paper “Understanding the business relevance of Open APIs and Open Banking for banks” delivered by the Working Group on Electronic and Alternative Payments of the Euro Banking Association:

https://www.abe-eba.eu/downloads/knowledge-and-research/EBA_May2016_eAPWG_Understanding_the_business_relevance_of_Open_APIs_and_Open_Banking_for_banks.pdf

² In addition to the information paper mentioned on the previous page, the working group has published an opinion paper on “Exploring the Digital Customer Services Interface”

(https://www.abe-eba.eu/downloads/knowledge-and-research/20150511_EBA_Opinion_Paper_on_exploring_the_DCS_v1_0.pdf)

Open Banking Working Group. The latter has recently published “The Open Banking Standard”³, a paper describing principal thoughts on Open Banking and its potential to stimulate competition, efficiency and innovation in the area of financial services.

To help limit the risk of potential fragmentation, the Euro Banking Association proposes to facilitate a discussion on Open Banking at a pan-European and cross-industry level. The suggested approach is to create a forum where the providers of payment services, related services and technical support services can discuss and exchange information in an open group, involving interested stakeholders on topics related to an industry-wide move towards Open Banking. The PSD2-regulated opening of payment accounts to third-party access should serve as a starting point for this broader discussion on topics around open access and Open Banking that would benefit from being addressed collectively.

Mission and Workplan

Whereas Open Banking encompasses a much wider area than payment services, the Open Forum should tackle this overarching topic in a two-phased approach:

- Phase 1: the open forum should start off by focussing on topics around the PSD2-regulated opening of payment accounts to third party providers that would benefit from being looked at in a collaborative approach and in view of an emerging Open Banking ecosystem.
- Phase 2: following the completion of phase 1, the open forum should further broaden the discussion from the PSD2-regulated access to payment accounts to Open Banking considerations and practical implications in the area of payments and beyond.

In detail, the open forum should provide support to the industry by:

- fostering a practitioners’ dialogue amongst financial industry players at a pan-European level on relevant developments with regard to access to the account and, more generally, Open Banking;
- exchanging information on access models and Open Banking concepts pursued by the various initiatives in the EU and in relevant markets globally;
- facilitating a common understanding of the collaborative domain in Open Banking in view of defining a pan-European Open Banking ecosystem and avoiding market fragmentation;
- liaising with all relevant industry initiatives and providing input into the Open Banking discussion in Europe;
- assessing potential requirements of customers and stakeholders and facilitating a dialogue with these parties;
- analysing security as well as operational management issues (e.g. appropriate directory services);
- understanding the requirements for infrastructure services to support Open Banking;
- maintaining a dialogue with regulatory bodies on compliance requirements and expectations;

³ <https://fr.scribd.com/doc/298568600/Introducing-the-Open-Banking-Standard>

- considering possible models on governance of the ecosystem.

The Forum might decide to publish common understanding and insight on certain topics and issues to the wider market, based on an endorsement by a majority among the participants. Such communication would list the names of forum participants endorsing the position.

Composition and governance

The Forum is open to providers of payment services, related services and support services, other suppliers with a special focus on payments as well as relevant stakeholders in the European and global payments industry.

The EBA will provide administrative and logistical support to the Forum, and will propose a Coordinator or a team of Coordinators of the Forum. The Coordinator(s) will support the forum by, inter alia, issuing calls for meetings and proposed agendas. The Coordinator(s) will prepare reports on discussions and activities of the forum as appropriate.

The Forum meets regularly (physical and/or virtual meetings), in principle on a bi-monthly basis. The frequency of meetings may however vary, depending on the market need on relevant results in order to progress to topic.

After the completion of phase 1, the Open Forum may continue its activities by further broadening the discussion on open banking topics and will be disbanded if and when its participants decide that it is no longer needed.