

# Design of the Future Entity Working Group

## Terms of reference

**Joint Regulatory Oversight Committee**

June 2023

## Background and objectives

1. The open banking ecosystem needs to scale and become more economically sustainable while maintaining its reliability, resilience and efficiency to enable it to transition to a new phase. In this phase, a greater range of products and services will be on offer. A key requirement in this new phase is the establishment of a future entity that is economically sustainable and effectively governed.
2. The Joint Regulatory Oversight Committee (JROC) therefore seeks to finalise recommendations on the design of the future entity by Q3 of 2023 and publish our views in a JROC update in Q4 of 2023.
3. Further work and analysis are needed to specify the role, structure, and funding of the future entity. This analysis builds on the work to date, including the work of the strategic working group, and the recommendations already made regarding the future entity that were published in April 2023.
4. Stakeholder engagement and collaboration is key for the success of this next step. A regulator-led design of the Future Entity Working Group (FEWG) will therefore be established in June 2023.
5. The FEWG will analyse and help develop the options and design for the future entity, including recommendations in relation to the role, the structure, funding and governance of the future entity. It will also consider and propose operational arrangements for the successful implementation of said entity.

## Composition and structure of the FEWG

6. The FEWG will be chaired by the Financial Conduct Authority (FCA).
7. The Chair will:
  - approve FEWG members nominated by ecosystem institutions as outlined in paragraphs 5 and 6
  - approve FEWG sub-groups upon recommendations by members;
  - convene and facilitate FEWG meetings
  - agree a FEWG work programme with members, including the formation of sub-working groups for specified purposes
  - provide monthly progress updates to JROC
  - review and approve FEWG outputs and ensure the work is delivered within the established timeline as per paragraphs 13 -19 below
  - make decisions in relation to the working group deliverables being presented to JROC
8. The FEWG's membership will reflect the whole ecosystem and comprise:
  - at least seven industry representatives, ensuring a fair balance of representation across account servicing payment service providers (ASPSPs) and third-party providers

(TPPs), including representation with regards to enterprise size and open banking activities undertaken

- an Open Banking Implementation Entity (OBIE) representative
- a Pay.UK representative
- two business representatives
- two consumer experts and/or consumer groups representatives
- JROC members (on a voluntary basis)

**9.** Members will:

- commit sufficient time and resources to develop and deliver FEWG activities and outputs
- if asked, join or lead a specific sub working group and deliver the work as agreed with the Chair
- draft and deliver against a work programme based on the Chair's steer within the agreed timeline as per paragraph 19
- support the chair in preparing a monthly update for JROC
- each contribute to a final report for JROC that will contain all elements identified in paragraph 16-18 by end of Q3

**10.** Members must commit to support the objectives, deliverables and meet associated timescales of the FEWG, including through their own resources where appropriate to develop proposals, including, but not limited to, legal support or business architects.

**11.** Members may delegate, on an exceptional basis, attendance to a nominated deputy. Where attendance is delegated, the member is responsible for ensuring the deputy is appropriately prepared.

**12.** Additional subject matter experts may, where relevant, be invited by the Chair to participate in meetings.

## Composition and structure of subgroups

**13.** Subgroups will be set up to deliver key outputs which will be presented and discussed at the FEWG.

**14.** Subgroups and composition will be agreed at the first FEWG meeting in June.

**15.** The Chair will present a proposal for subgroup topics at the first meeting, in line with the areas outlined in paragraph 17.

## Outputs and timeline

**16.** The FEWG will consider options and provide JROC with agreed recommendations relating to the role, structure, operational arrangements, funding and governance of the future entity. The recommendations shall be aligned with any parameters set by JROC members,

including the need for it to maintain the requirements of the Competition Markets Authority (CMA) Order while the CMA order remains.

- 17.** Specifically, the FEWG will develop:
  - a considered view on the role of the future entity, in particular core and supplementary services (e.g., the directory) and their distribution across the wider ecosystem
  - a considered view on the most appropriate funding model (for activities falling outside the scope of the CMA Order while the CMA order remains)
  - a considered view on the most appropriate legal and corporate structure (reflecting the need to provide appropriate separation of activities carried out under the CMA Order, and non-Order activities, while the CMA order remains)
  - an implementation plan for the delivery of the design, including an appropriate governance model aligned with the principles published by JROC in its April 2023 report
  - recommendations on how (and who in) the industry will set up said new entity
- 18.** Proposals should also capture dissenting opinions that will allow for a robust and informed decision as to next steps for future entity design and delivery.
- 19.** The outputs detailed above are to be delivered by the end of September 2023 with a first draft of the report to be submitted to the FCA and PSR early September. To enable timely progress, the working group is expected to hold its first meeting in June 2023.

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