Future Entity Working Group report to JROC

December 2023

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Foreword by the Chair

Open Banking has the ability to change how we view and use payments, encouraging consumers to make better financial decisions based on more available, better data.

When the Joint Regulatory Oversight Committee (JROC) set-out its vision for the future entity, in April 2023, it was agreed that the Committee should seek recommendations from the whole ecosystem on the governance, capabilities, and funding of the entity. This entity will play a central role in the development and improvement of open banking going forward.

The Future Entity Working Group (FEWG) has brought together key stakeholders to discuss and explore the capabilities, funding and governance of the future entity and the working group has develop detailed recommendations to be considered by the Committee on the design of the entity.

To achieve this, we set up three subgroups. The FEWG agreed the underlying design principles and then the subgroups were able to consider whatever they thought the Future Entity would need to succeed.

While the original plan was for JROC to publish its own detailed recommendations based on the work of the FEWG by the end of 2023, the work involved required a longer timeframe. The subgroup leads and trade associations asked that the timeframe was extended to ensure that stakeholders had the opportunity to consider options and make meaningful recommendations.

As chair of the FEWG, I wanted to ensure that industry and other stakeholders had sufficient opportunity to undertake this important work to deliver a key input to JROC's decision making and to ensure that all perspectives are taken into consideration. I am sure that the recommendations contained within this report will be a useful input for JROC as it makes final decisions for the structure of the Future Entity.

Jane Moore

Head of Department
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December 2023

Acknowledgments

This report has been made possible thanks to the hard work and support of many different stakeholders from across the UK's open banking ecosystem. The report has been developed and written at pace and is the result of many hundreds of hours of work by all the people involved.

The recommendations put forward in this report have been developed through a great deal of time and effort through the subgroups considering the capabilities, funding and governance of the Future Entity. I would like to thank the subgroup leads, Adam Gagen, Kat Cloud, James Guy, Ghela Boskovich, Francis McGee and Mark Chidley, for taking forward this work.

I would also like to express my thanks to the subgroup members for their participation and contributions. Details of the people and organisations involved are included in Appendix 4 of this report.

1 Executive Summary

1.1 Context for this report/Objectives

Currently Open Banking Ltd (OBL) is overseen by the Competition and Markets Authority (CMA) against requirements under the CMA Order. Subject to CMA's consent, the Joint Regulatory Oversight Committee (JROC) expect open banking to transition to an interim model, in which a future entity (FE) will be overseen by the Committee (in respect of non-Order activity) and by the CMA (in respect of the Order activity).

In the interim state the future entity will be overseen by JROC (in respect of non-Order activity) and by the CMA (in respect of the Order activity) prior to the establishment of a long-term regulatory framework for open banking. This interim model would remain in place until the establishment of a long-term regulatory framework for open banking. We expect the transition to the future entity to start as soon as possible after JROC publishes its recommendations. The long-term regulatory framework is not expected to be in place before 2026, post the passing of the Data Protection & Digital Information Act and subsequent introduction of regulatory requirements for Open Finance. We expect work on setting up the future entity to start Q1 2024 and that an interim funding model will be required to cover non-CMA Order activity. Transition to the future entity is expected to start Q3 2024.

JROC has identified three key priorities for open banking as it moves to a new phase:

- to establish a sustainable and competitive footing for the ongoing development of the open banking ecosystem so that it can grow beyond the current functionalities and bring further benefits to end users
- to unlock the potential for open banking payments
- to adopt a model that is scalable for future data sharing propositions

The successful evolution and transition of the OBL to a future entity is essential to delivering on these priorities. To that end, JROC has sought input from industry and other stakeholders on the design of the FE through the Future Entity Working Group (FEWG). The FEWG's terms of reference are set in Appendix 1.

The report has been written at a specific point in time. JROC requested that the final report was delivered by the end of November so that the Committee could consider it before the end of 2023. During the period when this report was being compiled the Future of Payments Report (also known as the Garner Review) was published and HMT published the Autumn Statement. Both of these contained recommendations and policy on payments and JROC should consider these alongside our report and those from the other workstreams it instigated.

The subgroups were also constrained by having limited access to budget data from OBL and necessarily limited clarity on the long term regulatory framework. This has meant that they have had to make assumptions on how the FE will operate. When JROC considers how the FE will operate, they will have the necessary information to help inform their decisions.

The subgroups were steered to focus on commercial variable recurring payments (cVRPs) as an example of non-order activity. The limited timeframe for this project has meant that the subgroups have not been able to explore other non-Order areas, specifically how premium data use cases will operate within the FE and beyond. What is clear, however, is that the Future Entity envisaged by JROC and described in detail in this report will inevitably be just one component of the future governance architecture for open banking and open finance in the UK. The FEWG has developed funding and governance proposals closely in line with JROC's vision and design principles, but overall coherence and inter-operability will depend on how JROC applies that vision across all components of open banking, open banking payments and open finance via the long term regulatory framework.

This report is the product of those efforts, setting out analysis and recommendations on the appropriate capabilities, funding model and governance of the future entity.

The recommendations in this report will be presented to JROC. We anticipate that before final decisions are made and a transition plan agreed, additional work will be commissioned by and carried out on behalf of JROC. Members of JROC will consider the outcomes of this work alongside the work that has already been undertaken by OBL, CMA9, Trade Associations and others.

This report represents the collated views arising from the Future Entity Working Group process and not that of any individual person or company, except where stated otherwise in the report. The complexity of the issues, nature of the process and the timelines for completion are such that, while we have strived to reflect the breadth of views expressed, it may not have been possible to reflect all views to the fullest extent possible.

1.2 Assumptions

In developing our recommendations, we have taken note of key expectations JROC set out in their paper 'Recommendations for the next phase of open banking in the UK'.

We noted that the JROC paper also included design principles for the FE's capabilities, funding, and governance. These are attached as appendix (3).

Each of the subgroups developed their own assumptions to work alongside these:

Capabilities

The 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 3rd parties activities)
- 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 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
- 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

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 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
- **Premium Services**: New (premium) services will be funded by those who request/want to develop those additional services

Prior to the introduction of the long term regulatory framework (LTRF), the PSRs require that:

- access to AIS and PIS APPs 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/FE activities within the scope of the CMA Order.

It should be noted that the funding subgroup felt limited by the unavailability of historic cost data from OBL. The subgroup needed an indication of the cost base of OBL in order to allocate costs to the capabilities identified as necessary for the FE. As a result they were unable to test the various funding models that they had developed. OBL were approached for this information. After careful consideration, including obtaining legal advice, OBL stated they could not share this information with the subgroup members, on competition grounds.

Governance

The 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 revoked at the appropriate time
  - 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, they 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 (ie 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.

1.3 General Recommendations

Capabilities

The Capabilities subgroup developed the recommendations for the FE under two different regulatory scenarios (detailed in section 3.2.2). Scenario 1 envisages a Minimum Viable Future Entity (where the UK does not expand the scope of mandated Open Banking APIs) and Scenario 2 envisages an Open Finance Implementation Entity (where the UK has expanded the scope of mandated APIs and designated the FE as the primary delivery body). The aim was to ensure that no matter the final form of the Long Term Regulatory Framework, JROC would have an actionable assessment of the capabilities the FE will need. We have aimed to ensure our recommendations will deliver on the objectives laid out by JROC, bring benefits to all elements of the ecosystem and support innovation and competition. Below are the top ten recommendations the group identified:

- **Standards:** Under both Scenario 1 and 2, the FE should have the capability to be the primary standard setting body for Open Banking / Finance in the UK.
- **Monitoring**: Under both Scenario 1 and 2, the FE should have the capability to monitor (i) API performance and (ii) participant conformance with standards / rules.
- **Adherence:** Under both Scenario 1 and 2, the FE should have the capability to encourage adherence of participants to relevant standards and to encourage mutually agreed resolution of identified issues, but it will not impose sanctions itself (rather instead formally escalating to regulators where needed).
- **Operational support**: Under both Scenario 1 and 2, the FE will have the capability to provide core support services (e.g. transparency calendar, ticket-based service desk, etc).
- **Policy development:** The FE will have a policy development capability. This capability will potentially need enhancement under Scenario 2.
- **Promotion**: Under both Scenario 1 and 2, the FE will ***not*** be required to have a capability to promote Open banking services, aside from basic provision of public information.
- **Certificate services:** Under both Scenario 1 and 2:
  - (1) the FE will remain responsible for setting UK certificate standards and ensuring an effective service is delivered in the UK,
  - (2) the FE will move immediately to reduce costs (options could include tendering to outsource certificate provision to 3rd parties under FE control) and,

  - (3) the FE may, after conducting a full evaluation, set a roadmap to transition to an open market of qualified certificate providers over 1-2 years (with alignment with Open Finance / Smart Data identity approaches as possible).
- **Directory Services:** Under both Scenarios 1 and 2:
  - (1) the FE remains responsible for ensuring the effective provision of UK directory services but may undertake actions aligned with recommendations on certificate services to reduce costs,
  - (2) the FE should maintain an EEA directory capability temporarily until the Temporary Permissions issued to EU TPPs are no longer applicable (with specialised funding arrangements to cover that period by users), and
  - (3) in parallel to these actions the FCA is tasked with enhancing its machine readable permissions register
- **Voluntary Commercial arrangements:** Under both Scenario 1 and 2, the FE may need the capability to service industry stakeholders or coalitions of industry stakeholders who have set up and are running voluntary commercial arrangements (e.g. cVRP).
- **Sub-sector specific arrangements**: Under both Scenario 1 and 2, the FE will need a capability to coordinate with sub-sector specific regulators or operational bodies to ensure the effective development of the ecosystem.

The full report of the Capabilities subgroup is included as chapter 3 of this report.

Funding

The Funding subgroup developed the following 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 principles should be applicable to both the transition phase as well as the final state for the Future Entity
- The transition funding model, which could run until the necessary regulatory framework is in place and the CMA Order is revoked, should move towards a broader arrangement where possible. There are several structures for the transition model:
  - All participants contribute through a simple tiering model
  - All ASPSPs in the market contribute based on firm size
  - Hybrid, an extension of all ASPSPs to include some TPPs to voluntarily contribute to the transition funding, similar accommodation using a tiered structure
  - Extension of Status Quo under the CMA Order (i.e. CMA9 fund Order-related costs) with non-Order costs funded by all participants in line with a simple tiered mode;
- JROC should undertake detailed economic modelling for the Future State options
  - Examination of actual charges using the likely size of the FE cost base with example firm personas (e.g., new startup, small UK TPP, large UK TPP, small UK ASPSP, large UK ASPSP, global TPP, global big tech, etc.)
  - Worked examples should help manage expectations across the market as to how different participants may be charged
  - Principles should be applied to economic modelling assessment, as well as the final selected model
- 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
  - Scenarios 1-3 with an Universal Service Charge (USC) overlay

The full report of the Funding subgroup is included as chapter 4 of this report.

Governance

The Governance subgroup developed the following recommendations

- The FE should be a corporate body without shareholder or member owners, probably a company limited by guarantee, or similar legal form
- Governance of the FE should adhere closely to the UK Corporate Code.
- The FE's Mission and Purpose should ensure it serves the whole open banking ecosystem, the UK economy and the wider public interest.
- The FE's operational objectives should be along the lines set out by JROC.
- The FE Board should be:
  - independent and 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
  - expected to establish appropriate Board committees with appropriate separation of responsibilities
- Transition could be achieved by the incorporation of a "NewCo" and the creation of its Board and governance, followed by the transfer of assets and liabilities and the migration of functions from OBL, and the eventual dissolution of OBL itself. Also identified are important potential costs and risks associated with this approach, notably tax risks. We therefore recommend that JROC compare this approach with the costs, benefits and risks of maintaining and amending the existing OBL entity in the light of its own legal and financial advice.
- Data collation, monitoring and reporting activities, including any future regulatory compliance requirements should be determined by the regulator in conjunction with the FE board. The Order monitoring activities will continue until such time as the Order is revoked. JROC will need to consider how monitoring will continue as part of the long-term regulatory framework.
- In relation to the question of one entity, two entities or a parent-subsidiary model, the key consideration is that there is a clear separation on governance, accounting and funding between Order and non-Order activities. Costs and risks associated with achieving this through internal ringfencing or a separate entity are finely balanced, and we recommend JROC evaluate them in detail in light of its own legal advice. However, the FE should ensure the overall principles of governance apply regardless of the final arrangement. The FE should structure its core function as a standard-setter around a new Standards Authority and a Technical Design Authority each operating with stakeholder input, including end user representation and under the auspices of the Board and the overseeing regulators
- Coherent and effective governance of this wider landscape should be an accountability of overseeing regulators under the LTRF, and this should be enabled through the powers and duties that regulators are given under the DPDI Bill, and through further consequential regulatory changes.
- Stakeholder representation in the work of the Future Entity should comprise formal, strategic and technical input. Arrangements should be made for end user representation separate from industry/participant representation, and ecosystem and end user risks should be a key topic for stakeholder input.
- Transition can and should be managed according to established legal and business practice. Details will depend on other JROC decisions, but we caution that a "big bang" is unnecessary and risky. Transition should have regard specifically to managing and sustaining the reputations of both entities and the ecosystem with key stakeholders, including employees and contractors

The full report of the Governance subgroup is included as Chapter 5 in this report.

1.4 Next steps

The Future Entity Working Group has been responsible for developing recommendations for the design proposals for the future entity. These will be considered alongside other inputs including the Data Protection and Digital Information Bill, the Long Term Regulatory Framework and other reports relating to payments.

JROC will provided with the recommendations contained in this report to assist them to make their decisions on the structure of the future entity and the steps needed before the project moves into a transition phase. Many of the recommendations recommend additional work, either by one of the four members of JROC or by consultants.

All of the recommendations will be carefully considered by JROC and, where appropriate built into the transition project.

2 Introduction

2.1 Background and Context

From its initiation by the CMA in 2017, the Open Banking ecosystem has grown rapidly. There are now over 7 million consumers and businesses in the UK using Open Banking-enabled products and services. And in 2022, 68 million open banking payments were made – more than double the 25 million registered in 2021. These figures reflect the UK's status as an early innovator and a leader in the field, with UK fintech driving forward progress in open banking through enhanced competition and innovation.

To ensure the ecosystem continues to deliver for consumers and businesses, the Joint Regulatory Oversight Committee was established in March 2022. The Committee is tasked with overseeing the next phase of open banking, which includes planning and preparing for the future open banking entity. This work is crucial for ensuring that the full potential of the sector is realised. The Committee's vision is for an ecosystem that can scale sustainably, whilst remaining reliable, resilient and efficient.

This vision has been informed by several different workstreams and publications. In January 2023, the Trustee End of Implementation Roadmap Report was published to provide views on the next steps for open banking. This was followed in February 2023 by the Strategic Working Group's (SWG) report on 'The Future Development of Open Banking in the UK'. The SWG was convened by the Committee to take in industry and stakeholder views on the future of open banking. Their report focuses on gaps between the current state and what stakeholders envisioned for a more optimal future state for the ecosystem. In April 2023, the Committee put forward its own recommendations for a successful transition to the next phase of open banking.

Building on this work, we set out here proposals for the development and design of the future entity of open banking. JROC set out in its joint statement in December 2022, an expectation that the future entity will further open banking in the UK by supporting an expansion of open banking products and services; developing and maintaining technical infrastructure and standards, and; ensuring compatibility with other key actors in the ecosystem.

2.2 Open Banking or Open Finance

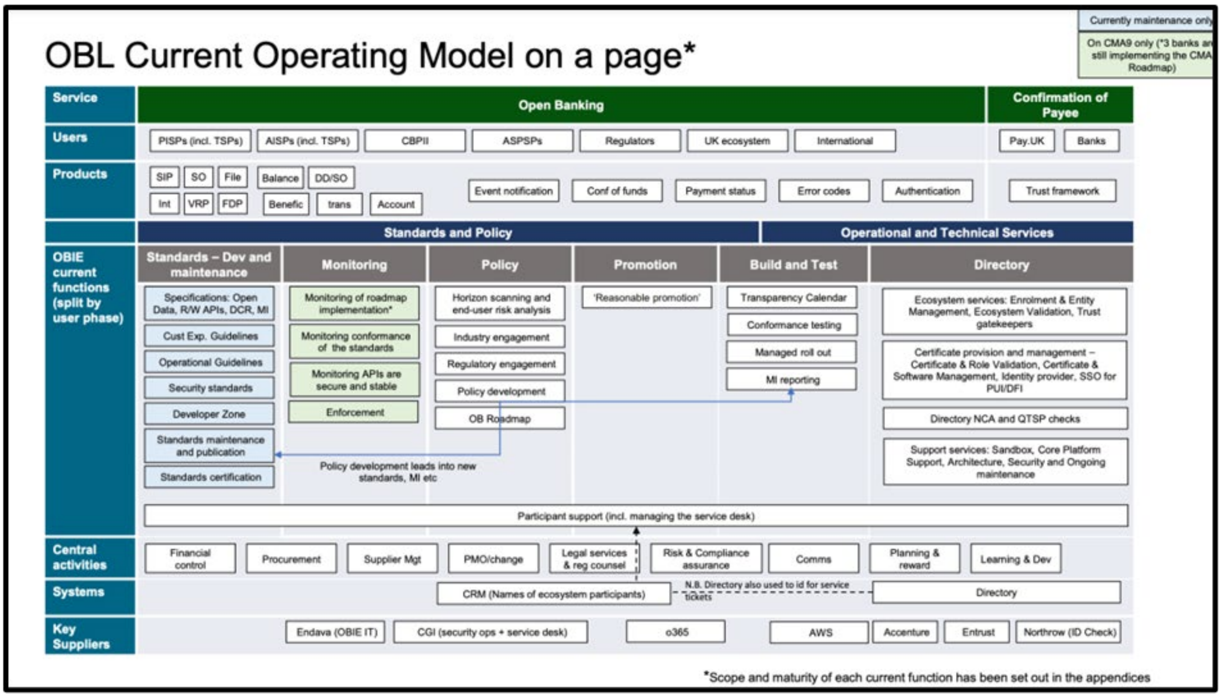
The current CMA order applies to open banking and is funded by the CMA9. It focusses on the scope of open banking access that is mandated under the PSRs. This is limited to payments and data-sharing related to payment accounts and does not cover other types of accounts (such as savings) or other financial services.

Non-order activities are currently carried out through premium APIs, without central standards. The regulation of the next stage of Open Banking, namely Open Finance, is being considered as part of the long-term regulatory framework (LTRF). The FEWG and subgroups have considered how the FE would operate if it only took on the current CMA order, and mandated open banking data sharing, and refer to this as Scenario 1, and if it were to operate a fuller open finance model, referred to as Scenario 2.

2.3 Methodology

FEWG members have been drawn from a cross section of the ecosystem and were balanced in terms of size and representation. They were invited to join the subgroups or to offer suggestions for inclusion in the subgroups. Trade associations were asked to nominate stakeholders. Members of the subgroups were invited to put themselves forward as leaders/co-leaders. The subgroups met weekly over four months and worked at pace to develop their reports. The leaders/co-leaders were responsible for developing a roadmap for their reports and agendas for meetings. The leaders/co-leaders reported on progress at the FEWG meetings. They also met weekly with the FEWG Chair. The FCA provided technical support and when needed meeting rooms. The subgroups met online and in person as needed.

The subgroups were provided with a schematic setting out of the current operating model for OBL (set out below) and a set of design principles (set out in Appendix 3).



OBL current Operating Model as presented to FEWG Slide Deck on 23 June 2023

In order to test the sentiment of the eco-system, both the capabilities and the funding subgroups used surveys to develop their recommendations and test the assumptions they had made. While these surveys gave valuable insight, it should be noted that participation in the surveys was voluntary, the deadlines for response were short and the respondents were mainly ASPSPs and TPPs. Further details of the surveys are included in the chapters written by the capabilities and funding subgroups.

As well as the FEWG, JROC commissioned a Working Group to draft a framework for rolling out non-sweeping Variable Recurring Payments (VRP), with a path to scalability. The VRP Working Group was asked to identify use cases which should be included in a 'phase 1' roll-out, define the set of functional, customer protection, and commercial model requirements needed to support this roll-out and recommend actions to be taken forward to meet those requirements. As there was clearly an overlap in the interests of the two working groups a workshop was held with the subgroup leads to enable information to be shared across both working groups.

3 Capabilities subgroup report

3.1 Engagement

Sub-group structure

The Future Entity (FE) Capabilities Sub-group has involved a broad range of representatives from ASPSPs (CMA9 Banks, EMIs and other non-CMA9 entities, etc), TPPs, technical service providers, industry associations and end user representatives.

We have particularly benefited from a high level of input from industry leaders who are very active in the Open Banking ecosystem, from a range of industry associations (e.g. UK Finance, Innovate Finance, Open Finance Association, Payments Association, The Investing and Savings Alliance, etc) and importantly from technical Open Banking Ltd (OBL) staff who have provided invaluable expertise and support. We have also benefited from having private sector representatives from companies that can provide similar services to OBL directly involved to provide challenge and alternative points of view. While most stakeholders are primarily engaged in the UK ecosystem, we have leveraged the international expertise of members as needed (e.g. when considering alternative models for service delivery).

Where relevant we have reached out to external parties (e.g. Smart Data Council, consumer groups, etc) to solicit input and to update them on our progress. The aim has been to ensure a fast and effective process, whilst being open to input from all stakeholder types.

We have circulated weekly documents to FCA, PSR, CMA and HMT to ensure close oversight of the discussions and raised requests for specific direction on certain key points.

Process

16 meetings have been conducted over a four-month period. In addition to the internal discussions, we have run an external quantitative and qualitative survey to capture input from stakeholders not directly involved in the FE Capabilities Sub-group. Given the dependencies on the group, we have informed the Funding and Governance sub-group when data has become available, or decisions have been made which will impact their own deliberations.

Terms

Given the technical nature of Open Banking, we have attempted whenever possible to be specific on precise capabilities we are referencing. In some cases, notably with the questionnaire, it was necessary to use more generic language to facilitate consumption by non-experts.

For the avoidance of doubt, in general:

- When this report references ‘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
- 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

3.2 Methodology

The roadmap for the development of the findings has been structured through six phases.

1. Kick off to align on objectives, deliverables and agree roadmap
2. Agreement on the regulatory scenarios under which the FE may have to operate
3. Quantitative survey of ecosystem stakeholders and end users to inform debate and decisions by the subgroup
4. Identification of key capabilities to keep or lose in the FE under different scenarios (leveraging the data from the quantitative survey)
5. Problem solving on key capabilities where data is not decisive or there is a lack of group consensus to keep or lose a specific capability
6. Document findings:
    a. Deliverable A: Recommendations for the capabilities the FE will need under different Scenarios
    b. Deliverable B: Recommendations for capabilities that would need to be provided outside the FE under different Scenarios

3.3 Assumptions

Objectives for the Future Entity

The Governance sub-group has recommended operational objectives for the FE. Aligned with these, the objectives that JROC highlighted to the Capabilities Sub-group that the Future Entity (FE) must enable included the below:

- Ecosystem – Establish a sustainable, safe, competitive and strong footing to further support future innovative developments
- Payments – Create greater choice between payment methods by unlocking the potential for open banking payments
- Data sharing – Adopt a model that is scalable for future data sharing propositions

Regulatory scenarios

The Future Entity would be highly dependent on the future regulatory regime it will operate under. Given the current lack of clarity on that future regulatory regime, to be able to make progress it was agreed that the subgroup would align on the main potential regulatory scenarios that the FE may be required to operate under. We then aimed to develop recommendations based on those scenarios. While the limited number of scenarios we could consider (to keep the workload manageable) would not be exhaustive, the aim was to ensure that the main spectrum of possible regulation regimes was considered so that, regardless of the final regime adopted by the Government and regulators, there would be a viable FE model.

Multiple scenarios were considered. After discussion amongst the sub-group, and input from the JROC oversight level (FCA, PSR, CMA, HMT), the two scenarios below were agreed. Once finalised they were also shared with the FEWG, Governance and Funding sub-groups.

Base assumptions for both scenarios

- CMA9 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 3rd parties' activities)
- 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.

Detailed Scenarios

Scenario 1: Minimum Viable Future Entity

Top line summary

- UK does not expand scope of regulated API-based data sharing, FE to deliver critical services in an efficient and cost-effective manner under JROC's vision for open banking and the FE should be able to support the development of new, and improve existing, open banking propositions.

Regulation

Regulatory scope

- FE can offer value-added services (i.e., premium APIs) though on a voluntary basis.

Delivery body mandate

- Obligations under CMA Order transitioned to a long-term regulatory framework for open banking which specifies monitoring requirements but enables more flexibility in service delivery.

Takeaways

- Existing or additional capabilities set out under JROC's vision will need to be delivered (either by the future entity or across ecosystem)

Scenario 2: Open Finance Future entity

Top line summary

- UK expands scope of regulated API based data sharing, and mandates use of FE as the primary delivery body to implement further development in financial data sharing.

Regulation

Regulatory scope

- UK expands regulatory requirements to mandate Open Finance data sets (i.e. pensions, savings, investment, etc) to be accessible via dedicated interfaces to licenced TPPs. TPPs to only access data via scheme. Under the open finance regulatory framework, regulators will have a high level of oversight of the FE to ensure effective implementation of Open Finance

Delivery body mandate

- FE's role in 'maintenance' of Open banking to be the same as in Scenario 1 (with the same potential for increased flexibility in the delivery model), but FE also has additional new responsibilities as the primary delivery body for the implementation of Open Finance. Under the open finance regulatory framework, firms may be required to create and participate in a future entity arrangement and the future entity can set its own rules as part of that. [note: this is different from regulatory oversight which will continue to sit with regulators]

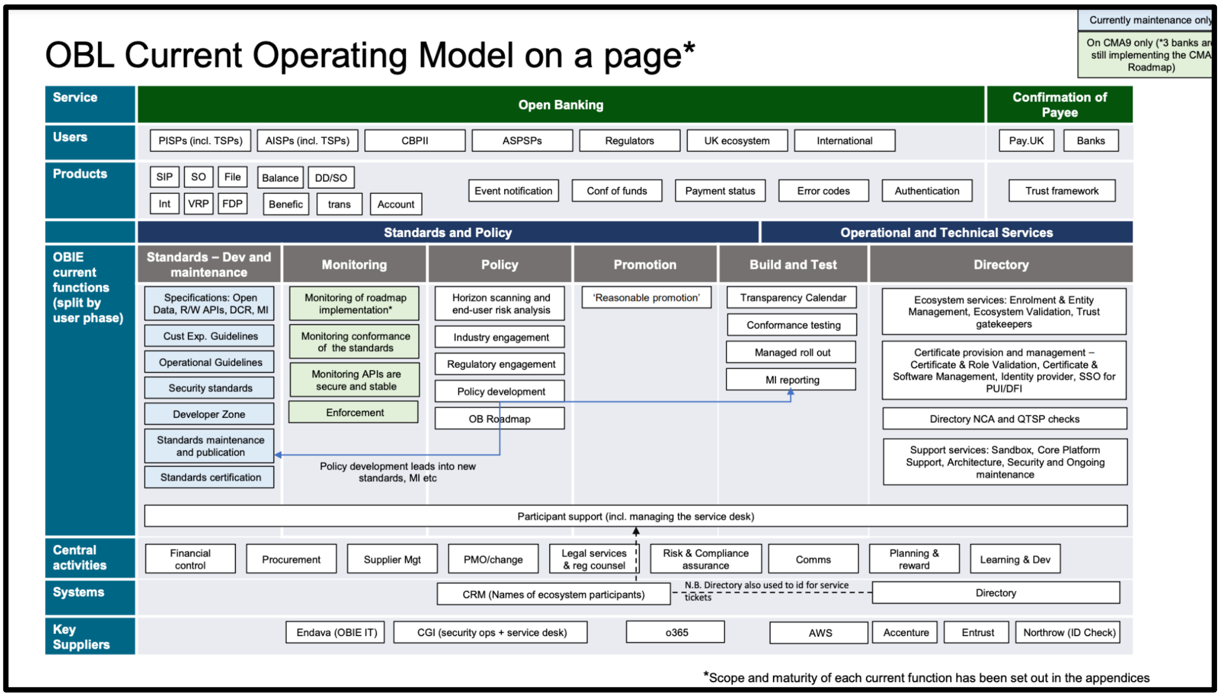
3.4 Deep dive / focus areas

Developing a categorisation for OBIE's current capabilities / the FE's future capabilities

OBL capability identification

To evaluate the capabilities the FE would need, we began by scoping the current capabilities the OBIE had, linked to the services it provided. We used the JROC-provided slide as our starting point:

Figure 1: Extract FEWG Slide Deck, 23 June 2023, Slide 11



After discussion, we categorised the OBIE's capabilities into five primary areas, with individual sub-capabilities being detailed within each. We then considered what additional capabilities may be needed under a future regulatory regime where new responsibilities were given to the FE. These were used as a reference for our future work, both for the quantitative survey and the structuring of our recommendations on capabilities to keep or lose.

In addition to these five primary areas, we identified some non-primary capabilities that would be essential to any organisation or possibly needed if certain functions were required.

Details on both are provided below.

Five primary capability areas:

Primary Area 1: Standards – Development and maintenance

- Maintenance of technical specifications in the CMA Order (e.g. ATM locations, branch opening hours)
- Maintenance of technical specifications in the payment services regulations (PSRs) (e.g. AIS, PIS, Auth)
- Development and management of new technical specifications on payments beyond PSRs/CMA9 Order (non-sweeping VRP)
- Development and management of new technical specifications on data sharing beyond PSRs/CMA9 Order (e.g. extended customer attributes)
- Maintenance of existing and development of new customer experience guidelines for Open Banking/Finance
- Management of a developer zone

Primary Area 2: Standards – Monitoring

- Monitoring performance of APIs (e.g. stability etc)
- Monitoring compliance by all relevant stakeholders to mandated standards/voluntary commitments (e.g. scope, security)
- Ability to ensure adherence of stakeholders on mandated standards/voluntary commitments, through powers from regulation/regulators
- Formal MI Reporting based on set KPIs for all UK ASPSPs
- Formal MI Reporting based on set KPIs for all UK TPPs

Primary Area 3: Policy & Promotion

- Policy development (e.g. Horizon scanning, end user risk analysis, external engagement etc)
- Basic public provision of materials on policies/services (e.g. website)
- UK Promotion of payment initiation services to boost adoption/usage
- UK promotion of account information services/data sharing to boost adoption/usage
- International promotion of UK regulatory regime/standards (with the object of getting other jurisdictions to adopt UK standards to boost interoperability)

Primary Area 4: Operational support

- Operational support through centralised service desk (e.g. tickets)
- Dedicated support for ASPSPs / TPPs on problem issues (e.g. rollout of new services etc)
- Maintenance of the transparency calendar (e.g. detailing stakeholders' status)

Primary Area 5: Trust Services

- A UK OB certificate system (e.g. issuing, revocation, management etc)
    - Certificate management: Creation, association and revocation of digital certificates via OBL's managed Certificate Authority.
    - Software statements: Creation, management and deactivation of Software Statements and their Software Statement Assertions (SSAs). The latter are needed by TPPs to register their software with ASPSPs.
    - Maintenance of Certificate Policy statements and publishing of them.
    - Certificate validation: Supports participant validation of certificates to attest participant identity. Also provides PSD2 authorisation data for application layer security checks.
    - Identity & Access management for participant staff to OBL user self-service portals and for programmatic access to OBL services. Also provides a federated identity service for ASPSP developer portal.
- A UK directory service (e.g. role validation, entity and individual verification, ongoing permission monitoring etc)
    - Role validation: The NCA service ingests PSD2 authorisation data from the FCA. The data is made available to OBL's services and stakeholders via the NCA API and the Certificate Validation Service. Checks are also made against other relevant databases (e.g. Companies House).
    - Case management: The processing of all cases related to enrolling or entity/individual management within the Directory. These include Enrolment, Maintain Individual and Maintain Entity cases submitted by a participant.
    - Entity verification: Sub process of an enrolment. Verifies the information submitted about the entity is correct and matches that on the Company Register and NCA register (if applicable).
    - Individual verification: Encompasses the LOA2 and OPV2 checks performed on individuals. LOA2 confirms the Identity of an individual, and OPV2 confirms they are authorised to perform the role they have applied for in the Directory on behalf of the participant in question.
    - Approvals: Each case submitted requires a 4-eyes check before being approved. Upon approval being confirmed, the case will proceed to update the Tech Directory with the relevant information contained within the case.
    - Contract management: Only relevant to ASPSPs. ASPSPs must sign a contract with OBL when applying for this role in the Directory. An opportunity is created when the enrolment is received, and a contract is added to it, detailing the products and services the ASPSP has signed up for, along with its cost. The contract is then sent to the participant to sign, along with the contract being countersigned by OBL.
    - Daily monitoring: Daily Checks performed on all entities within the Production environment to ensure they still have the relevant permissions for the roles they have. Also checks their name and FRN (Firm Reference Number) on the relevant NCA database where their authorisation matches what is contained within the Directory.
    - Daily permission checks: Performed by managed service on all Sandbox entities. Primary purpose is to ensure unregulated entities do not pose a threat to the ecosystem by monitoring AML (Anti Money Laundering), sanctions and watchlists. Also monitors regulated entities within the Sandbox to ensure they are still regulated.
- A UK and EU directory service (e.g. role validation, entity and individual verification, ongoing permission monitoring, etc)
    - Role validation: The NCA service ingests PSD2 authorisation data from 31 National Competent Authorities across the EEA. The data is made available to OBL's services and stakeholders via the NCA API and the Certificate Validation Service.
    - Others: As above for the UK Directory.

Additional non-primary capabilities

Critical Non-primary capabilities

These are capabilities the FE will need under any scenario where it is continuing to operate, and to ensure operations can be delivered effectively.

Non-primary Area 1: Security / Cyber Operations

- Threat & Vulnerability Management

Non-primary Area 2: Service Management function including Major Incident Management

- Service Management functions including problem management, change management, CAB, etc.
- Major Incident Management (Alerting, Triage, Early Response, Root cause analysis, manage response)

Non-primary capabilities – Trust services

These are capabilities the FE will need *if* it is tasked with providing certificate or directory services. Where the model for the delivery of such services is modified, some modifications to these non-primary capabilities may be needed.

Non-primary Area 3: Participant support

- Participant support for Trust Services (e.g. TPP ticket management specifically related to directory or certificate services)
- Participant management / engagement

Non-primary Area 4: Directory product development and enhancement, specifically including:

- Technology & Architecture design and ongoing support
- Directory product enhancement build and test (API endpoints, Directory Frontend Interface, Testing, Impact Analysis of changes)
- Production support
- Information Security
- Project support (for product new technology development & enhancements)

Non-primary Area 5: Directory product architecture, specifically including:

- Platform/Infrastructure BAU
- Product architecture/consultation
- Architecture Design Documentation and governance

Disclaimer & Limitations

While we have had some indication orally on the level of cost of each of these capabilities (e.g. Trust services approximately being 50% of the current OBL budget), we have not been provided reliable budget breakdowns. Some of these capabilities may be very costly, others may not. When collecting stakeholder feedback through our quantitative survey, and when evaluating the FE's continued provision of individual capabilities within the sub-group, we have not been able to take fully into account the impact on who will fund them and at what cost. We have aimed to pragmatically address this problem, leveraging the expertise of the group, but it is right to note our classification and the following recommendations would need review by an independent entity which has access to current and likely potential future costs.

Quantitative survey to gather ecosystem input

Objective and methodology

The quantitative survey was created to help inform the design of a potential future entity to support the development of Open Banking / Finance in the UK.

This survey was conducted by the Capabilities Subgroup under the Future Entity Working Group (terms of reference) established by the Joint Regulatory Oversight Committee.

This survey was not a formal consultation, but the data received was used to help inform the debate within the working group. We welcomed responses from a broad range of stakeholders. While we asked for responses in relation to the Future Entity, where relevant stakeholders s could also propose for capabilities to be delivered by other organisations (existing or new organisations in addition to the Future Entity) or indicate that no specific organisation is required (i.e. it could be left open to the market to deliver it).

The questions were developed collaboratively by the sub-group, and where consensus was not possible the final decision on question inclusion, or wording of certain questions, was given to the FCA/PSR. There were four sections:

- Profile and Top Line Perspectives
- Services
- Core capabilities
- Other Capabilities

Stakeholders were asked to complete the 'core capabilities' section of the Survey twice, based on two different potential regulatory scenarios outlined in section 3.2.2 of this report (i.e. Scenario 1: A 'minimum viable' Open Banking entity and Scenario 2: An Open Finance entity). These scenarios were explained as part of the questionnaire flow. The questionnaire was also structured to be methodologically robust (e.g. randomised selection order for multiple choice, context-basic descriptions provided for context-dependent questions, etc). The survey did not contain costings for the capabilities, so respondents were unable to make decisions based on the cost of providing the capabilities.

It was run from 1pm on the 23rd of August 2023 through to 1pm on the 20th of September 2023. The live data collection tool used was Typeform (link to survey here). The link was shared to all FEWG Capabilities subgroup members, through key industry associations (e.g. UK Finance, Innovate Finance, Payments Association, Open Finance Association, British Retail Consortium) and through social media.

The raw data collected was shared with the FCA and PSR to inform their policy work. Data was analysed in a variety of ways, including by splitting our responses by entity type, calculating overall support for each capability to be included in the FE.

The results of the industry discussions were also shared with the FCA, PSR, HMT and CMA to assist with the decisions they will make under the Joint Regulatory Oversight Committee.

Top line results

Profile and top line perspectives

Takeaway 1: 49 responses were received, with a broad range of entity types, sizes and operational ages. Most respondents had a high level of knowledge of OBL's current capabilities. All CMA9 entities responded, as well as a broad range of non-CMA9 ASPSPs and TPPs. While there was a limited number of end user responses, the main consumer and merchant groups did participate.

Figure 2: Entity type

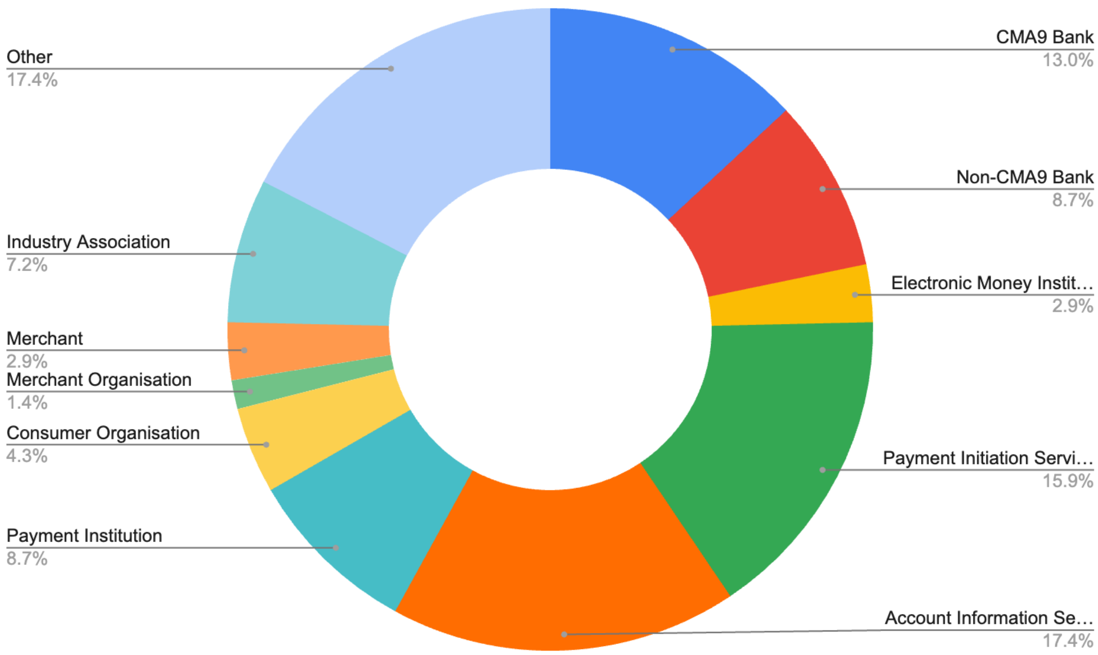


Figure 3: Entity size and age

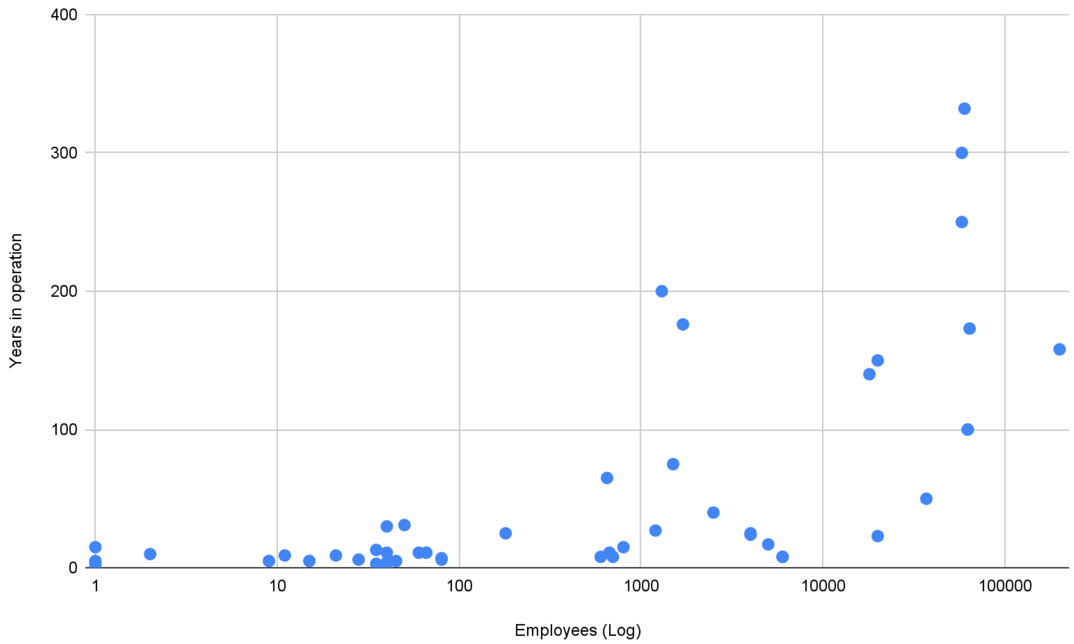
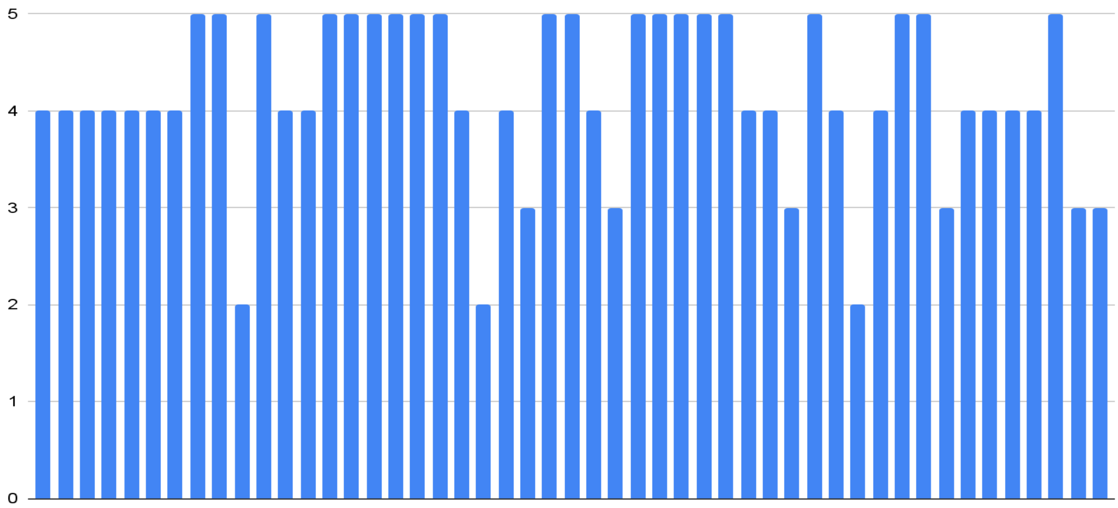


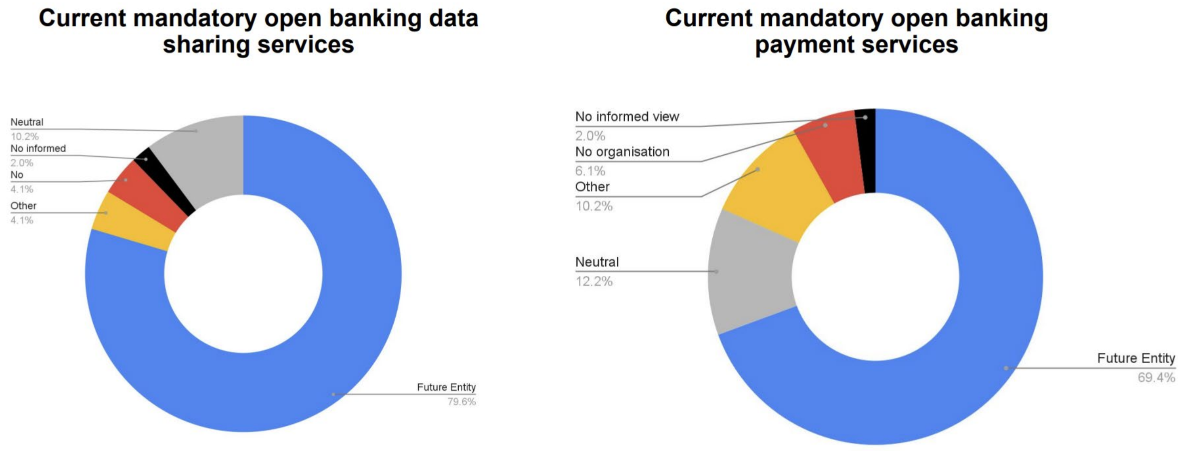
Figure 4: Entity level of knowledge of OBL's current capabilities (1-5 scale, 5=Very high)



Services

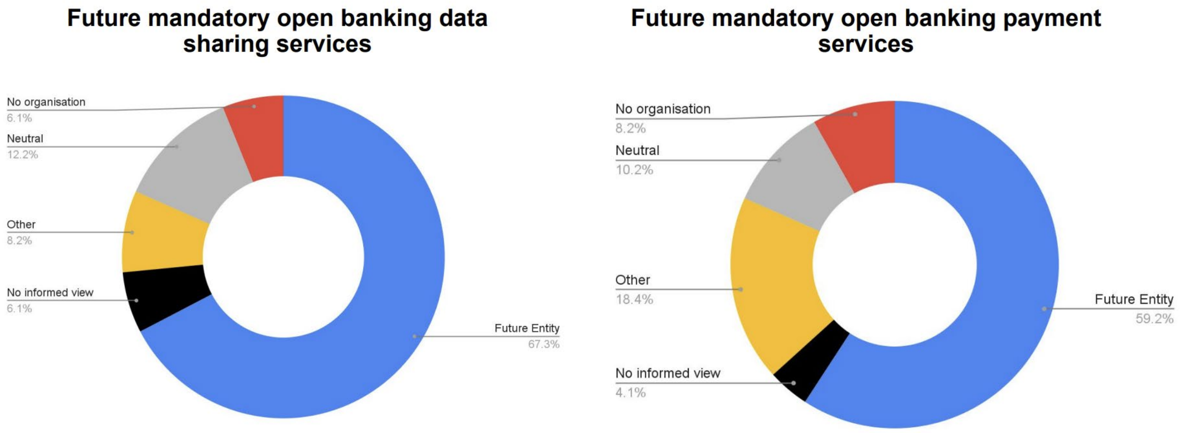
Takeaway 2: Most respondents to the survey expressed support for FE to continue to provide current mandatory open banking data services (i.e. AIS) and payment services (i.e. PIS). However, for payment services a number of the 10.2% who cited 'Other' referenced Pay.UK being as an alternative.

Figure 5: Do you believe the Future Entity, or a different body should be accountable for:



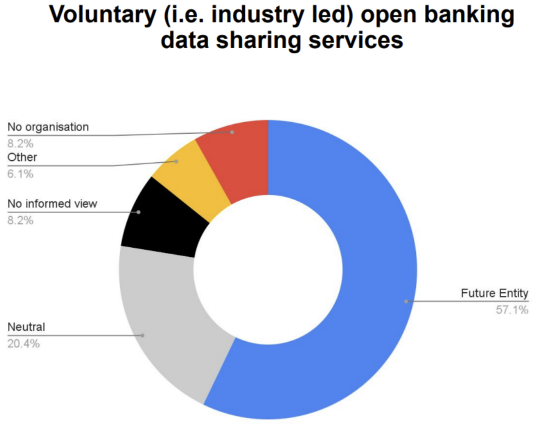
Takeaway 3: Most respondents support in excess of 50% for the FE having the capability to provide future mandatory open banking data services (i.e. AIS+) and payment services (i.e. PIS+). However again a number of responses that for payments other organisations could fulfil that role (e.g. Pay.UK).

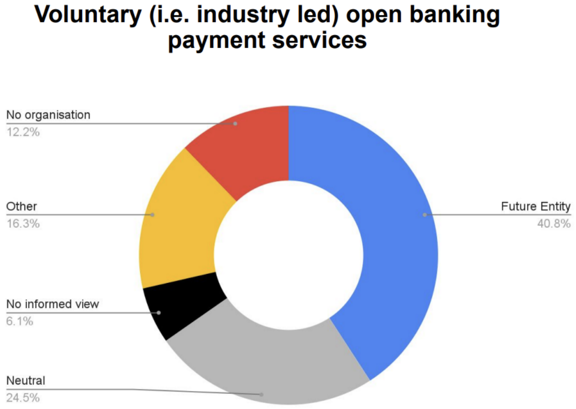
Figure 6: Do you believe the Future Entity, or a different body should be accountable for:



Takeaway 4: Most respondents to the survey supported the FE to having the capability to support voluntary (i.e. industry led) open banking services (e.g. premium AIS APIs). No majority support for the FE to have the capability to support voluntary (i.e. industry led) open banking payment services, again with comments indicating no organisation was needed or other entities (e.g. Pay.UK) could fulfil this role.

Figure 7: Do you believe the Future Entity, or a different body should be accountable for:





Core Capabilities[1]

Takeaway 5 – Standards: The survey showed that most respondents support the FE (under both Scenario 1 and Scenario 2) to have a capability to:

- Maintain technical specifications in the CMA Order (e.g. ATM locations, branch opening hours) [S1: 67.3%, S2: 65.3%]
- Maintain technical specifications in the Payment Services Regulations (PSRs) (e.g. AIS, PIS, Auth) [S1: 85.4%, S2: 81.6%]
- Develop and manage new technical specifications on data sharing beyond PSRs / CMA9 Order (e.g. extended customer attributes) [S1: 73.5%, S2: 73.5%]
- Develop and manage new technical specifications on payments beyond PSRs / CMA9 Order (e.g. non-sweeping VRP) [S1: 61.2%, S2: 57.1%]
- Maintain existing, and develop new, customer experience guidelines for Open Banking / Finance [S1: 76.0%, S2: 83.7%]
- Continue to manage a developer zone [S1: 55.1%, S2: 59.2%]

The strongest majorities were for maintaining current standards, developing new technical specifications for data sharing and for maintaining and developing new customer experience guidelines. On the latter point, there was a clearer level of support for this capability in Scenario 2. Whilst for technical majorities, respondents were less consistently supportive of the FE developing new standards on payments and maintaining the developer zone.

Takeaway 6 – Monitoring: The respondents to the survey revealed support under both Scenario 1 and Scenario 2 for the FE to have the following capabilities:

- Monitoring performance of APIs (e.g. stability, etc) [S1: 78.0, S2: 81.6%]
- Monitoring conformance by all relevant stakeholders to mandated standards / voluntary commitments (e.g. scope, security) [S1: 72.0%, S2: 73.5%]
- Ability to ensure adherence of stakeholders on mandated standards / voluntary commitments, through powers from regulation / regulators [S1: 62.5%, S2: 65.3%]
- Formal MI Reporting based on set KPIs for all UK ASPSPs [S1: 73.5%, S2: 73.5%]
- Formal MI Reporting based on set KPIs for all UK TPPs [S1: 59.2%, S2: 61.2%]

The strongest support was for core monitoring capabilities. Several responses on the ability for the FE to ensure adherence flagged that enforcement or oversight should remain primarily with regulators.

1 NB Full data set in Annex 1, top line summary for easy reference included here.

Takeaway 7 – Policy and promotion: Under both Scenario 1 and 2, most respondents to the survey supported the FE having the following capabilities:

- Policy development (e.g. Horizon scanning, end user risk analysis, external engagement, etc) [S1: 60.0%, S2: 64.6%]
- Basic public provision of materials on policies / services (e.g. website) [S1: 84.2%, S2: 77.6%]

However, there was no substantial support for the FE to have the following capabilities:

- UK promotion of payment initiation services to boost adoption / usage [S1: 36.7%, S2: 43.6%]
- UK promotion of account information services / data sharing to boost adoption / usage [S1: 39.6%, S2: 37.5%]
- International promotion of UK regulatory regime / standards (with the object of getting other jurisdictions to adopt UK standards to boost interoperability) [S1: 37.0%, 34.7%]

There was a substantial % of respondents on the latter three points indicating no entity was needed.

Takeaway 8 – Operational Support: The survey respondents supported the FE, in both scenario 1 and 2 having the following capabilities:

- Operational support through centralised service desk (e.g. tickets) [S1:60.0%, S2: 65.3%]
- Dedicated support for ASPSPs / TPPs on problem issues (e.g. rollout of new services, etc) [S1: 69.4, S2: 71.4%]
- Maintenance of the Transparency Calendar (e.g. detailing stakeholders' status) [S1: 71.4%, S2: 67.3%]

Takeaway 9 – Trust services: While there was support for the FE to have the capability to deliver core Trust Services (i.e. UK certificate and UK directory services), there was several responses challenging how these services were being delivered. This was particularly true for CMA9 members, who are the current funders of the OBL. Several comments also flagged (i) a need to find efficiencies or (ii) a need to transition such services to alternative models which may be more efficient (e.g. outsourced or market led).

- A UK Open Banking certificate system (e.g. issuing, revocation, management, etc) [S1: 61.2%, S2: 69.2%]
- A UK directory service (e.g. role validation, entity and individual verification, ongoing permission monitoring, etc) [57.1%, 56.3%]

The survey did not find conclusive support for the FE to have the capability to continue to provide non-UK directory services (i.e. role validation with EEA NCAs):

- A UK and EU directory service (e.g. role validation, entity and individual verification, ongoing permission monitoring, etc) [S1: 45.8%, S2: 46.9%]

Other Capabilities

While some quantitative data was collected here, the number of qualitative comments on the delivery of capabilities and proposals on potential areas was collected from the survey. The working group referenced these comments as needed as part of the overall review.

3.5 Summary of findings

Data Analysis

To aid the deliberations of the sub-group, for each key question we have broken down the response by entity type, and in addition to the basic figures provided in Section 4.2 we have evaluated results also on a synthetic net promoter score (NPS) basis (i.e. removing 'neutral' and 'don't know' responses to give a direct comparison between respondents who wanted the Future Entity to have a capability and those who wanted no organisation or proposed an alternative)[2].

In addition to the quantitative analysis, we have also provided the group (where needed) the anonymised qualitative responses we received to enable a fully informed debate (notably for when respondents proposed another 'entity' could provide a capability or qualified their responses in some other manner).

Decision making approach

To help focus the group's time on key areas that needed discussion and decision, the sub-group used the data analysis to classify individual capabilities into three groups under both Scenario 1 and Scenario 2.

- **Capabilities to keep:** Capabilities with high broad based support to include in the FE – defined as approx >66% majority support AND >100% NPS support (and no substantial divergence from the top line results from key entity types).
- **Capabilities to lose:** Capabilities with high broad-based support to *not* include in the FE – defined as approximately <40% support AND <0% NPS support (and no substantial divergence from the top line results from key entity types).
- **Capabilities that require a deep dive and special solutions:** Capabilities with mixed responses in terms of majority support or NPS (or very strong diverging views between key entity types).

In a very small number of cases, where capabilities are close to the cut offs and they are not seen as material (e.g. negligible cost or low strategic impact on design of the future entity), we have pragmatically modified their classification based on group consensus to focus time on more important areas. On these edge cases (e.g. policy development) we have in the final recommendation recognised that some modifications on how they are being delivered may be needed.

2 Calculation: ((FE – (No Org + Other)) / (Total Responses / 2)) expressed as a %

Findings

Initial Assessment – Scenario 1

Category	Detailed Capabilities	FE%	FE NPS
Standards	Maintenance of technical specifications in the CMA Order (e.g. ATM locations, branch opening hours)	67.3%	110.2%
	Maintenance of technical specifications in the payment services regulations (PSRs) (e.g. AIS, PIS, Auth)	83.7%	151.0%
	Development and management of new technical specifications on payments beyond PSRs/CMA9 Order (non-sweeping VRP)	59.2%	77.6%
	Development and management of new technical specifications on data sharing beyond PSRs/CMA9 Order (e.g. extended customer attributes)	71.4%	118.4%
	Maintenance of existing and development of new, customer experience guidelines for Open Banking/Finance	75.5%	126.5%
	Management of a developer zone	55.1%	77.6%
Monitoring	Monitoring performance of APIs (e.g. stability etc)	79.6%	138.8%
	Monitoring conformance by all relevant stakeholders to mandated standards/voluntary commitments (e.g. scope, security)	73.5%	110.2%
	Ability to ensure adherence of stakeholders on mandated standards/voluntary commitments, through powers from regulation/regulators	59.2%	57.1%
	Formal MI Reporting based on set KPIs for all UK ASPSPs	73.5%	122.4%
	Formal MI Reporting based on set KPIs for all UK TPPs	59.2%	77.6%
Policy & Promotion	Policy development (e.g. Horizon scanning, end user risk analysis, external engagement etc)	59.2%	85.7%
	Basic public provision of materials on policies/services (e.g. website)	81.6%	138.8%
	UK Promotion of payment initiation services to boost adoption/usage	36.7%	-8.2%
	UK promotion of account information services/data sharing to boost adoption/usage	38.8%	-4.1%
	International promotion of UK regulatory regime/standards (with the object of getting other jurisdictions to adopt UK standards to boost interoperability)	34.7%	-16.3%

Operational Support	Operational support through centralised service desk (e.g. tickets)	63.3%	102.0%
	Dedicated support for ASPSPs / TPPs on problem issues (e.g. rollout of new services etc)	69.4%	122.4%
	Maintenance of the transparency calendar (e.g. detailing stakeholders status)	71.4%	114.3%

Trust Services	A UK OB certificate system (e.g. issuing, revocation, management etc)	61.2%	77.6%
	A UK directory service (e.g. role validation, entity and individual verification, ongoing permission monitoring etc)	57.1%	61.2%
	A UK and EU directory service (e.g. role validation, entity and individual verification, ongoing permission monitoring etc)	44.9%	28.6%

Initial Assessment – Scenario 2

Findings in Scenario 2 were largely aligned with Scenario 1, with the small number of items diverging in classification highlighted in **bold boxes**. Given the limited divergence we developed recommendations for each key area, and have flagged where their scope or delivery of them needs amending based on the different scenarios.

Category	Detailed Capabilities	FE%	FE NPS
Standards	Maintenance of technical specifications in the CMA Order (e.g. ATM locations, branch opening hours)	65.3%	102.0%
	Maintenance of technical specifications in the payment services regulations (PSRs) (e.g. AIS, PIS, Auth)	81.6%	142.9%
	Development and management of new technical specifications on payments beyond PSRs/CMA9 Order (non-sweeping VRP)	57.1%	69.4%
	Development and management of new technical specifications on data sharing beyond PSRs/CMA9 Order (e.g. extended customer attributes)	73.5%	114.3%
	Maintenance of existing and development of new, customer experience guidelines for Open Banking/Finance	83.7%	146.9%
	Management of a developer zone	59.2%	85.7%

Monitoring	Monitoring performance of APIs (e.g. stability etc)	81.6%	151.0%
	Monitoring conformance by all relevant stakeholders to mandated standards/voluntary commitments (e.g. scope, security)	73.5%	110.2%
	Ability to ensure adherence to mandated standards/voluntary commitments, through powers from regulation/regulators	65.3%	77.6%
	Formal MI Reporting based on set KPIs for all UK ASPSPs	73.5%	118.4%
	Formal MI Reporting based on set KPIs for all UK TPPs	61.2%	85.7%

Policy & Promotion	Policy development (e.g. Horizon scanning, end user risk analysis, external engagement etc)	65.3%	102.0%
	Basic public provision of materials on policies/services (e.g. website)	77.6%	122.4%
	UK Promotion of payment initiation services to boost adoption/usage	42.9%	8.2%
	UK promotion of account information services/data sharing to boost adoption/usage	36.7%	-16.3%
	International promotion of UK regulatory regime/standards (with the object of getting other jurisdictions to adopt UK standards to boost interoperability)	34.7%	-12.2%

Operational Support	Operational support through centralised service desk (e.g. tickets)	65.3%	106.1%
	Dedicated support for ASPSPs / TPPs on problem issues (e.g. rollout of new services etc)	71.4%	122.4%
	Maintenance of the transparency calendar (e.g. detailing participants status)	67.3%	118.4%

Trust Services	A UK OB certificate system (e.g. issuing, revocation, management etc)	59.2%	73.5%
	A UK directory service (e.g. role validation, entity and individual verification, ongoing permission monitoring etc)	57.1%	69.4%
	A UK and EU directory service (e.g. role validation, entity and individual verification, ongoing permission monitoring etc)	46.9%	36.7%

Based on these findings we developed recommendations to include or exclude certain capabilities and did detailed sessions to develop compromised recommendations on areas where clear consensus was not immediately apparent.

Recommendations by the Capabilities subgroup (Deliverable A)

These recommendations have been developed based on the data collected through the quantitative and qualitative survey, other data points identified by the group during the discussions, and the expert insights of the participants. The process has been fast, and certain key information (e.g. OBL's current cost structure) was not available to the group. While we believe these recommendations can provide a strong direction for JROC in establishing the capabilities the FE will need (under Scenario 1, Scenario 2 or some variant) it is clear additional analysis will need to be carried out before they are actioned.

Given the density of the issues we have also included (i) an executive summary of the 'top ten' recommendations to aid broad consumption of our conclusions and (ii) a detailed analysis on recommendations which triggered substantial debate in the sub-group.

To aid JROC in its decision making each of the detailed recommendations has been developed to include the following:

- **Exec summary:** High level articulation of the recommendation
- **Problem statement:** High level articulation of the problems / concerns industry has identified about the current or future delivery of a capability that the recommendation aims to solve
- **Detailed recommendation:** Detailed articulation of the individual components of the recommendation, proposals on how it may be implemented (including additional analysis or preparatory actions that would need to be taken before it can be) and how it's implementation may be monitored (e.g. the success KPIs JROC could apply to measure the impact of these recommendations on end users and the UK's Open banking ecosystem)
- **Evidence base:** The data points from the quantitative and qualitative survey, and other evidence collected, which helped inform the development of the recommendation.
- **Alternative view:** Where full consensus of the group was not possible, the majority view has been provided as the recommendation, but it will also be possible for members of the group who disagree to present a dissenting view so that JROC can consider all perspectives.

Executive Summary of Top Ten Recommendations

1. **Standards: Under both Scenario 1 and 2 the Future Entity should be the primary standard setting body for all Open Banking / Finance services which are mandated under a future regulatory framework.** [Beneficiaries: All]

    a. This would include all core standards (e.g. APIs, customer experience guidelines, etc).

    b. It would include PIS as well as AIS, though for PIS special arrangements would be needed (see Recommendation 10).

    c. Under Scenario 1, the FE would primarily just maintain current standards, but can develop them to ensure they remain effective and relevant under control of the FE Board.

    d. Under Scenario 2, the FE would need to increase its capability delivery to expand standard development as new areas of financial services are legally mandated under a future regulatory framework.

2. **Monitoring: Under both Scenario 1 and 2 the Future Entity should have a capability to conduct monitoring on (i) API performance and (ii) participant conformance with standards / rules.** [Beneficiaries: All]

    a. Monitoring would require a formal mandate that relevant participants should provide data to the FE when requested.

    b. Formal MI reporting may incorporate the latest data collection and reporting templates developed by OBL with industry consultation[3], with consideration given to cost and complexity as this continues to evolve. Where reporting is required, it would be applied to all participants within an entity type (e.g. all ASPSPs, all TPPs, etc).

    c. FE would publish data where appropriate to inform end users/regulators and to incentivise high levels of performance.

3 Levelling Up Availability and Performance: Data Collection (OBL, 2023) https://www.openbanking.org.uk/wp-content/uploads/Data-collection-framework-for-API-availability-and-performance.pdf. For latest proposed templates for ASPSPs / TPPs scroll to bottom of page to download: https://www.openbanking.org.uk/jroc/

3. **Adherence: Under both Scenario 1 and 2 the Future Entity will have capabilities to encourage adherence of participants to relevant standards and requirements and to encourage mutually agreed resolution of identified issues. FE will be able to take reasonable steps to effectively explore issues, undertake root cause analysis and assess the impact of non conformance. The FE will endeavour to work constructively with the relevant participants to find and agree solutions. However it will not have power to impose any sanctions, and may use its underlying monitoring and evidence to escalate or support escalated concerns by others that cannot be satisfactorily resolved in a timely manner to regulators, for them to consider the need to use regulatory enforcement powers.** [Beneficiaries: All]

    a. The new regulatory framework should:

        i. clearly set out enabling powers regulators have in this regard ensuring clarity for all parties, a mandate to take action, and a legal basis / overview of likely measures in the event these become required, ensuring this is not lost as the CMA order is replaced

        ii. enable the FE to be added as a party who can raise issues with dedicated interfaces to the regulator given its responsibility and role in monitoring and data collection, with regard given to appropriate escalation thresholds against expected benchmarks

    b. It is expected under Scenario 2 such a mechanism will be especially needed and beneficial as new financial service providers are brought into scope.

    c. In an Open Finance scenario, multiple regulators may be needed to integrate into it.

    d. FE is expected to have more extensive adherence powers in relation to voluntary arrangements the scope of which to be determined by the underlying participant agreements.

4. **Policy development: Under Scenario 1, the FE would not need a substantial policy development capability: it would largely maintain current services and allow for review of standards in line with evolving regulations. Under Scenario 2 however, the FE would likely need a reinforced capability to help coordinate the roll out of mandated APIs across new areas of financial services.** [Beneficiaries: All]

    a. Policy development and coordination for the development of voluntary commercial arrangements should be funded and run separately from the core services (see recommendation 9).

5. **Promotion: Under Scenario 1 and 2, aside from basic provision of public information, the FE will *not* need a capability for promotion of Open banking services. This may require a change to its regulatory objectives to clarify what constitutes 'reasonable' promotion.** [Beneficiaries: All]

    a. Education of category value to end users (e.g. consumer protection) should be left to Govt and regulators to promote (e.g. protections, security, standardised language, etc). The FE will not need a capability to promote the UK's standards internationally, with that also left to UK Govt and regulators.

    b. Promotion of specific use cases / product value to end users should be left to individual industry participants.

    c. Industry may come together to promote commercial voluntary arrangements, but this would be outside of the FE (see 9 below).

d. The FE should though play a role in progressing regulatory and public policy discussion on open banking (and potentially Open Finance), as aligned with Recommendation 4.

6. **Operational support: Under Scenario 1 and 2, the FE would continue to provide the core support services provided by the OBIE (e.g. transparency calendar, ticket based service desk, etc).** [Beneficiaries: All for shared services, Individual participants for tailored support]

   a. These can be evolved over time as needs arise, notably to find efficiencies (e.g. integrating service desks).

   b. Funding for these services may be moved from a collective model to a pay as you go model (taking into account which participant has caused an issue that needs remediation).

7. **Certificate services: Under Scenario 1 and 2, (1) the FE will remain responsible for setting UK certificate standards and ensuring an effective service is delivered in the UK, (2) the FE will move immediately to reduce costs (e.g. tendering to oursource certificate provision to 3rd parties under FE control) and (3) the FE may, after conducting a full evaluation, set a roadmap to transition to an open market of qualified certificate providers over 1-2 years (with alignment with Open Finance / Smart Data identity approaches as possible).** [Beneficiaries: TPPs]

8. **Directory services: Under both Scenarios 1 and 2 the group recommends that (1) the FE remains responsible for ensuring the effective provision of UK directory services but may undertake actions aligned with recommendations 7.2 and 7.3 for certificate services to reduce costs, (2)** the FE maintains an **EEA directory capability temporarily until the Temporary Permissions issued to EU TPPs are no longer applicable subject to consultation of the users of the service** (with specialised funding arrangements to cover that period by users) and **(3) in parallel to these actions the FCA is tasked with enhancing its machine readable permissions register** (e.g. enhancing APIs, adding push notifications) creating the opportunity for participants to directly connect and validate entities (reducing the need for a centralised OBL or third party Directory service, though these could still be offered if their is market interest). [Beneficiaries: All]

9. **Voluntary Commercial arrangements: Under both Scenario 1 and 2, the FE may need the capability to service industry stakeholders or coalitions of industry stakeholders who have set up and are running voluntary commercial arrangements (e.g. cVRP).** [Beneficiaries: Participants of the commercial arrangements]

   a. Some voluntary commercial arrangements may be independent of the FE but may be subject to mutually agreed appropriate oversight and/or funding arrangements in relation to the use of the FE's services by the participants of such arrangements, subject to the FE's governance processes.

   b. Some voluntary commercial arrangements may use the standards maintained by the FE but be run and funded entirely independently from it.

   c. Voluntary commercial arrangements should be funded by their participants and run on a cost and risk neutral basis as far as the FE's costs and risks are concerned.

10. **Sub-sector specific arrangements: Under Scenario 1 and 2, where needed, the FE would need the capability to coordinate and interact with sub-sector specific regulators or operational bodies to ensure actions are effectively delivered. This would have implications for Governance structures.** [Beneficiaries: Sub-sector participants]

    a. For example under Scenario 1, the setting and monitoring of payment standards would benefit from the involvement of entities like Pay.UK, the Payment Systems Regulator and use case specific end user representatives (e.g. merchant groups).

    b. For example under Scenario 2, the FE may be requested to support the development of Open Finance or Smart Data standards. In such situations, it should have the ability to engage with and involve the relevant regulators and authorities (e.g. Smart Data Council) to ensure optimal outcomes for consumers.

    c. In practice this could mean the FE should (i) be able to feed into decision making and (ii) a mechanism for formal requests for action between the FE and related parties should be established.

Detailed Recommendations

Recommendation 3: Adherence

Exec Summary: Under both Scenario 1 and 2 the Future Entity will have capabilities to encourage adherence of participants to relevant standards and requirements and to encourage mutually agreed resolution of identified issues. FE will be able to take reasonable steps to effectively explore issues, undertake root cause analysis and assess the impact of non-conformance. The FE will endeavour to work constructively with the relevant participants to find and agree solutions. However it will not have power to impose any sanctions, and may use its underlying monitoring and evidence to escalate or support escalated concerns by others that cannot be satisfactorily resolved in a timely manner to regulators, for them to consider the need to use regulatory enforcement powers.

a. The new regulatory framework should:
   i. clearly set out enabling powers regulators have in this regard ensuring clarity for all parties, a mandate to take action, and a legal basis / overview of likely measures in the event these become required, ensuring this is not lost as the CMA order is replaced
   ii. enable the FE to be added as a party who can raise issues with dedicated interfaces to the regulator given its responsibility and role in monitoring and data collection, with regard given to appropriate escalation thresholds against expected benchmarks

b. It is expected under Scenario 2 such a mechanism will be especially needed and beneficial as new financial service providers are brought into scope.

c. In an Open Finance scenario, multiple regulators may be needed to integrate into it.

d. FE is expected to have more extensive adherence powers in relation to voluntary arrangements the scope of which to be determined by the underlying participant agreements.

Problem Statement: There is evidence that some propositions are not brought to market because firms do not provide consistently performing and available APIs, and because conversion rates (i.e., the proportion of end-users that successfully complete their Open Banking journey) are inconsistent and/or low. A key JROC objective is to ensure that open banking API availability and performance is consistently high to allow consumers and businesses to benefit from high-performing, reliable services that enable open banking services to be able to scale and grow.

Detailed Recommendations for Scenario 1 & 2:

1. **FE to act to resolve identified issues that may be identified in relation to conformance, performance, and availability data that it is collecting for monitoring purposes. The FE will have the ability to request additional data or information to support proper investigation of any suspected non-conformance. Where possible, the FE should attempt to resolve non-conformance by mutual agreement bilaterally with the relevant participant .**

As set out in Recommendation 2 it is envisaged that the FE will be given a formal mandate by regulators under which relevant participants are required to provide specified data to the FE when requested. The FE will have responsibility for interrogating this MI and identifying non conformance with relevant standards or required benchmarks. There is evidence from the approach taken by OBL and the CMA under the Order that a proactive monitoring and enforcement regime leads to improved API performance and conformance to the standards. Where there is reasonable evidence of non-conformance or that any data provided is inaccurate, or incomplete, the FE should have the ability to request additional information that can be reasonably provided to progress the investigation.

Where it is determined that a participant is non-conformant an attempt should be made to resolve the issue by mutual agreement and where necessary underpinned by an appropriate remediation plan, with the participant committing to put things right within an agreed timetable. The primary objective of this exercise will be to satisfactorily resolve any underlying issue without the need for regulatory involvement. The FE will document actions and agreements with the participant. This will enable the FE to provide the appropriate regulator where requested with information regarding any remediation plans or other actions committed to by the participant and the progress being made to remedy the adherence issue.

JROC may wish to encourage the FE to devise and publish a clear pathway for tackling non-conformance ensuring the process is clear for all parties involved, including the stages of escalation. This could include, for example:

Stage 1: Administrative resolutions: correspondence from FE setting out the nature of the issue, the evidence, and the anticipated resolution. This could include recommendations for improvements. A reply would be expected within a determined timeframe setting out a voluntary written commitment to address non-compliance.

Stage 2: Non-conformance notices: where administrative resolutions have not concluded the matter, FE notices could formally indicate to more senior stakeholders within the relevant ecosystem participant the need for action to be taken in a specific timeframe to avoid regulator intervention.

Stage 3: Escalation: in the event of no acknowledgement of FE notifications, or failure to resolve the issues highlighted, the FE may escalate the issue with supporting evidence to the relevant regulator (see below)..

2. **Where an identified non conformance cannot be satisfactorily resolved on a mutually agreed basis or the issue is causing significant harm the FE should be enabled to escalate the case to the appropriate regulator to consider the need for formal regulatory enforcement action.**

Where the FE identifies a serious issue that it determines is causing significant detriment to other participants and/or end users it may inform the appropriate regulator immediately and agree an appropriate course of action. Where the FE is unable to agree a suitable remediation plan with the participant , is not provided with requested information or the participant does not adhere to agreed arrangements to address non-conformance the FE may escalate the issue to the appropriate regulator to consider formal enforcement action,by adding the FE to the appropriate parties who can raise an issue with dedicated interfaces, with regard to appropriate thresholds in line with agreed benchmarks.

It will be for that regulator to take appropriate enforcement action. This may include instructing FE to monitor and report any required steps that the participant is required to undertake. The new regulatory framework should clearly set out the enabling powers regulators have in this regard ensuring clarity for all parties, a mandate to take action on these issues, and a legal basis / overview of likely punitive measures in the event these become required.

3. **Similar enforcement arrangements to extend out in Scenario 2 with the FE engaging with a wider range of sector regulators.**

Under the new regulatory framework, the FE may have additional new monitoring responsibilities as the delivery body for the implementation of Open Finance. It is envisaged that new requirements and rules will be set for participating firms. It is envisaged the FE will play a similar role in monitoring and enforcement as set out above , subject to agreement with the appropriate regulators. In this case, there may be issues with individual participants that are of interest to more than one regulator. The new regulatory framework should clearly set out 'lead' regulators for such scenarios to avoid duplication.

4. **The FE is expected to have more extensive enforcement powers in relation to voluntary arrangements the scope of which to be determined by the underlying participant agreements.**

Where the FE is playing a coordinating role in setting guidelines or rules on the minimum requirements for multilateral and bi-lateral agreements between ecosystem participants it is envisaged that it may be asked to play a role in ensuring that participating firms adhere to these requirements. The underlying agreements between the participants will establish the responsibility that the FE has and how that should be exercised.

5. **FE to evaluate the possibility of introducing a more principles based approach to mandatory customer experience requirements.**

Mandated user experience standards the Customer Experience Guidelines (CEG) were introduced for the CMA9 in recognition that poor customer experience presents a barrier for customer adoption of open banking. However there is a balance to be had between achieving the desired outcome (a homogenous experience that supports user understanding/ acceptable conversion) whilst allowing flexibility for both banks and TPPs to design optimal customer journeys. The FE should explore whether it may be appropriate to move to a less prescriptive approach in this respect that is more aligned to principles-based or outcomes-focused regulation, while also recognising that the current approach may have benefits when new standards are first implemented. A widely agreed, and consistently measured, benchmark for conversion rates (the outcome) may allow more flexibility to participants in achieving that outcome.

Evidence Base: Several responses on the ability for the FE to ensure adherence flagged that enforcement or oversight should remain primarily with regulators.

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	CMA9	End User	IA	Non-CMA9	Other	PI&EMI	TPP	Grand Total
Grand Total	9	5	5	3	12	7	8	49
FE %	22.2%	80.0%	100.0%	33.3%	66.7%	85.7%	37.5%	59.2%
FE NPS %	-88.9%	120.0%	200.0%	0.0%	83.3%	171.4%	-25.0%	57.1%

Alternative View: No alternative view proposed

Recommendation 5: Promotion

Exec Summary: Under Scenario 1 and 2, aside from basic provision of public information, the FE will not need a capability for promotion of Open banking services. This may require a change to its regulatory objectives to clarify what constitutes 'reasonable' promotion. [Beneficiaries: All]

1. **Education of category value to end users (e.g. consumer protection) should be left to Govt and regulators to promote (e.g. protections, security, standardised language, etc). The FE will not need a capability to promote the UK's standards internationally, with that also left to UK Govt and regulators.**
2. **Promotion of specific use cases / product value to end users should be left to individual industry participants.**
3. **Industry may come together to promote commercial voluntary arrangements, and this could leverage FE capabilities on a risk and cost neutral basis (see 9 below).**
4. **However it may play a role in progressing regulatory and public policy objectives for Open Banking (and potentially Open Finance), as laid out in Recommendation 4.**

Problem Statement: The FE does not have all the necessary levers to drive the development of open banking enabled products or services, the promotion of these or to generally encourage customer adoption. Additionally it is not equipped to meaningfully engage in end-user communication aimed at encouraging adoption. The FE needs to focus on what it can realistically achieve and in particular engagement of relevant stakeholders to progress regulatory and public policy objectives.

Detailed Recommendations for Scenario 1 & 2:

Open standards must be well documented and publicly available. During the process of developing standards it is also necessary to consult with the ecosystem and interested parties to elicit engagement by driving awareness and maximising engagement throughout this process. In order to achieve both of these objectives the FE need the appropriate web based and other communications tools to enable parties to access relevant information.

1. **Education of category value to end users (e.g. consumer protection) should be left to Govt and regulators to promote (e.g. protections, security, standardised language, etc)**

The FE is not expected to engage in mass market campaigns targeting end users, but could make recommendations to Government, regulators or participants in relation to these activities. End user facing campaigns would not be within the remit of the FE, but rather would be for the Government or regulators to deliver as they deem necessary to deliver on their broader public policy objectives.

2. **Promotion of specific use cases / product value to end users should be left to individual industry participants**

The FE does not need the capability or remit to engage in promotion of commercial services to end users, this is the remit of open banking participants.

3. **Industry may come together to promote commercial voluntary arrangements, but this would be outside of the FE unless promotion support was specified in the voluntary arrangements**

There may be benefits to leverage FE capabilities and at the discretion of the FE Board these should be provided on a risk and cost neutral basis.

4. **The FE may though play a role in progressing regulatory and public policy objectives for Open Banking (and potentially Open Finance), as laid out in Recommendation 4.**

Depending on the mandate of the FE under the future long term regulatory framework, the FE may need the capability to help inform the policy debate with expert technical and operational insights. While this would not require a capability for it to run advocacy campaigns, it could be required to publicly engage inter alia through publications, events, industry discussion groups, webinars and media appearances.

Evidence Base:

Basic promotion

	CMA9	End User	IA	Non-CMA9	Other	PI&EMI	TPP	Grand Total
Grand Total	**9**	**5**	**5**	**3**	**12**	**7**	**8**	**49**
FE %	88.9%	80.0%	100.0%	66.7%	83.3%	71.4%	75.0%	81.6%
FE NPS %	177.8%	120.0%	200.0%	66.7%	133.3%	142.9%	100.0%	138.8%

Promotion of PIS

	CMA9	End User	IA	Non-CMA9	Other	PI&EMI	TPP	Grand Total
Grand Total	**9**	**5**	**5**	**3**	**12**	**7**	**8**	**49**
FE %	33.3%	40.0%	20.0%	33.3%	41.7%	57.1%	25.0%	36.7%
FE NPS %	-44.4%	0.0%	40.0%	-66.7%	0.0%	85.7%	-75.0%	-8.2%

Promotion of AIS

	CMA9	End User	IA	Non-CMA9	Other	PI&EMI	TPP	Grand Total
Grand Total	**9**	**5**	**5**	**3**	**12**	**7**	**8**	**49**
FE %	44.4%	40.0%	40.0%	33.3%	41.7%	57.1%	12.5%	38.8%
FE NPS %	-22.2%	0.0%	80.0%	-66.7%	0.0%	85.7%	-100.0%	-4.1%

International promotion of UK standards

	CMA9	End User	IA	Non-CMA9	Other	PI&EMI	TPP	Grand Total
Grand Total	**9**	**5**	**5**	**3**	**12**	**7**	**8**	**49**
FE %	33.3%	20.0%	40.0%	33.3%	25.0%	57.1%	37.5%	34.7%
FE NPS %	-22.2%	-80.0%	40.0%	-66.7%	-83.3%	85.7%	25.0%	-16.3%

Alternative View: No alternative view proposed

Recommendation 7: Certificate Services

Exec Summary: Under both Scenario 1 and 2 the group recommends that **(1)** the FE is to remain responsible for setting UK certificate standards and ensuring an effective service is delivered in the UK, **(2)** the FE will move immediately to reduce costs (e.g. reviewing benefits of tendering to outsource certificate provision to 3rd parties under FE control) and **(3)** the FE may set a roadmap to transition to an open market of qualified certificate providers over 1-2 years (after full cost / benefit analysis, and with alignment with Open Finance / Smart Data identity if possible).

Problem Statement: OBL's Certificate regime has been a core success factor to establish a functioning OB ecosystem. It is effective and resilient. However data from the quantitative survey showed current funders (i.e. CMA9 Banks) are concerned costs are above those in comparable markets. In addition, there is an ecosystem risk as OBL has no prudential capital to stand behind the identity assurance that its certificates provide. Since the OBL system was established, a private marketplace for PSD2 compliant certificates has developed in other jurisdictions. The UK must retain the strength of its certificate regime, enabling it to be scaled up to cover Open Finance / Smart data, while reducing costs (as we shift from a CMA9 funded model to one relying on all participants) and creating a robust liability model. While the CMA9 are most concerned, as TPPs are the primary 'customers' of a certificate regime it is expected if funding is expanded to such participants they will be similarly supportive of efforts to improve the current system, ensuring regard to stability and reliability of the system is maintained. If very high certificate costs were to be maintained it could create a barrier to entry to new TPPs or non-economically focused use cases (e.g around financial inclusion).

Detailed Recommendations for Scenario 1 & 2:

1. **FE to remain responsible for managing UK certificate standards and regime**

To ensure interoperability and a high level of security a UK certificate standard should be maintained. The FE should be the primary body to set and evolve this standard. Ideally one identity standard would be used across Open Finance (and a future Smart Data ecosystem) to improve efficiencies by enabling one point of contact for firms operating across multiple data regimes. Wherever possible the future iteration of such standards should be aligned with international standards, or the UK standard should be encouraged for adoption by UK authorities in 3rd markets. This is to (i) reduce barriers to UK fintechs expanding overseas and (2) maximise the addressable market for private sector certificate providers.

2. **FE will move immediately to reduce costs (e.g. tendering to outsource certificate provision to 3rd parties under FE control)**

The two major criticisms of the current OBL regime is its cost and the lack of liability protections (which would be needed to cover losses for end users from a fundamental failure of services). Short term, the OBL should take actions to address these in so far as possible under the existing order. The CMA should support these efforts, providing additional flexibility if needed. For example, given OBL already outsources some elements of its Trust Services, it should look to reduce costs further (e.g. to tender to a centralised external provider the delivery of the entire certificate service, longer term contracts, etc). Any external provider would need to (i) be more cost efficient for end users than OBL, (ii) meet a high standard for operational resilience and service and (iii) be an entity which complies with all applicable data standards. Given the risks inherent in any transition to an external provider, it should only be actioned if the cost savings for end users will be material (e.g. >33%). Other options may also be identified. To speed up implementation the CMA should look to see how these recommendations can be actioned under the existing Order controls, while the new regulatory regime is developed.

3. **FE may set a roadmap to transition to an open market of certified certificate providers over 1-2 years (aligned with Open Finance approach).**

As has been proven over the last years, some jurisdictions have been able to develop a private sector marketplace for certificate services. This requires (i) a standard, (ii) a regime for certifying providers qualify to meet that standard (and other local requirements on data, cyber, etc) and (iii) critical mass of providers to ensure a functioning market (with low costs and resilience in case one or more major provider suffers outages or fails). The argument to move to an open and competitive market place is that it will ensure costs remain as low as possible, as well as reinforcing operational risk management for TPPs (e.g. liability cover). The arguments against this are that it could lead to increased complexity (e.g. TPPs may need to manage two or more certificate providers to ensure redundancy) and vulnerabilities (as multiple providers are less easy to monitor than one centralised service). The recommendations to (i) have the FE remain the body in control of a single standard and (ii) for a regulatory regime to ensure stringent oversight of certificate providers (i.e. requiring them to be qualified) appears to address these concerns sufficiently to enable the group to recommend the FE sets a roadmap to transition to an open market model. Before implementing this recommendation the FE and FCA/PSR should (i) confirm the potential cost savings (i.e. savings from removing the certificate issuing capability vs new costs from creating a capability to manage an open market of providers), (ii) ensure final costs on TPPs will remain at par of below what they face in other jurisdictions, (iii) survey private sector certificate providers to check a critical mass would plan to provide services and (iv) consult industry on the detailed roadmap incl governance of standards, oversight approach for QTSPs, etc. It may be necessary for the FE to be able to provide certificate services (directly or through a service outsourced to one centralised party) for a period of time until there is broad confidence in the market that the new system meets or exceeds delivery levels currently enjoyed in the UK through OBL.

Success KPIs:
The end result should ensure TPPs and other end users continue to benefit from a robust and effective certificate regime, while costs (which will likely be borne by all users of the certificate regime) are minimised. Example KPIs JROC should consider:

- % decrease in costs for certificates in the UK (2022 baseline) (Reco 7.2 and 7.3)
- No. of QTSPs providing certificates under a UK regime (Reco 7.3)
- Uptime of certificate provision by private sector operators vs OBL baseline (Reco 7.2 and 7.3)

Evidence Base: Capabilities survey showed a general support for FE to remain in charge of certificate services, apart from those entities which are paying at present (with cost being the primary cited factor):

	CMA9	End User	IA	Non-CMA 9	Other	PI&EMI	TPP	Total
Count	9	5	5	3	12	7	8	49
FE %	11.1%	60.0%	100.0%	66.7%	58.3%	71.4%	87.5%	61.2%
FE NPS %	-133.3%	120.0%	200.0%	133.3%	50.0%	142.9%	175.0%	77.6%

Alternative View: No alternative view proposed

Recommendation 8: Directory Services

Exec Summary: Under both Scenarios 1 and 2 the group recommends that **(1)** the FE remains responsible for ensuring the effective provision of UK directory services but undertakes actions aligned with recommendations 7.2 and 7.3 for certificate services to reduce costs, **(2)** the FE maintains an EEA directory capability temporarily until the Temporary Permissions issued to EU TPPs are no longer applicable subject to consultation of the users of the service (with specialised funding arrangements to cover that period by users) and **(3)** in parallel to these actions the FCA is tasked with enhancing its machine readable permissions register (e.g. enhancing APIs, adding push notifications) creating the opportunity for participants to directly connect and validate entities (reducing the need for a centralised OBL or third party Directory service, though these could still be offered if there is market interest).

Problem Statement: PSR2017 compliant certificates are issued by OBIE or other issuers based on company permissions at the time of issuance. They do not reflect subsequent changes (for example, an AISP withdraws from the market). In the UK the FCA Register is the golden source for current permissions, however this is not a machine-readable source. The OBIE directory (and alternatives in market) provide ASPSPs with a machine readable version of the FCA Register in order to provide a real time validation that a TPP has the permissions necessary to conduct the activities requested. This is not a regulatory requirement under the PSRs, it is a value-added service provided to ASPSPs to mitigate the infosec and fraud risks of providing access to TPPs who no longer have FCA authorisation. The OBIE directory is perceived by funding firms (CMA9) to be expensive, and there is a more strategic question of why the ecosystem needs an intermediary between the FCA Register and ASPSPs at all given this introduces operational risk into the validation process. There is also a concern that the current approach which relies on CMA9 to fund fixed costs may be anticompetitive and might expose FE (and in turn ecosystem participants as associated parties) to risks once the CMA revokes Part 2 of its Order.

Detailed Recommendations for both Scenarios 1 and 2

1. **UK Directory services should be included in the simplification and outsourcing actions under Certificates Recommendations 2 and 3**

Directory service providers other than OBIE exist in the UK market and it is possible for ASPSPs to procure these value added services directly. However, there are likely to be scale benefits from continuing to provide this as a shared service for all ASPSPs. In addition, the current approach ensures that smaller ASPSPs and their customers are able to benefit from strong controls through a shared service; federating this to individual firms to procure creates the risk that smaller ASPSPs are unable to secure services due to cost.

Pay.UK evidence to the Capability SG identified that it is possible to outsource certificate issuance and directory services to a single provider. This is attractive to the ecosystem in providing a single supplier of end to end trust services (as we have today from OBIE), avoiding the risk of unintended gaps.

We recommend therefore that UK Directory services should have clear operational guidelines issued to participants to ensure cost opportunities identified in the Consult Hyperion work are delivered. For example, participants should be required to cache the directory locally to avoid unnecessary operational load for the central provider and maximise ecosystem resilience for end users.

We recommend directory services are included with UK certificate issuance in a single RFI process for simplicity. This opens up the service to existing directory providers who will have the opportunity to tender as part of the combined service alongside certificate issuers, thereby mitigating competition risks noted above.

If the RFI identifies meaningful (e.g. >33%) cost reduction with maintenance of the high quality of service historically provided by OBL, then FE should seek to procure externally with a managed migration process to protect live services. Based on Consult Hyperion expert opinion this migration may take 24 months to protect end users from any impacts.

2. FCA should assess options to digitise TPP permissions within its Register

UK Directory services are an intermediary between the FCA Register (designed for human readers) and ASPSP open banking systems (which require machine readable inputs). In other jurisdictions such as Australia, Brazil, and Singapore it is an obligation on the government authority that issues permissions (ACCC in Australia, Banco Central in Brazil, Govtech in Singapore) to make this data available in a machine readable form for ecosystem participants.

We recommend in H1 2024 the FCA assess feasibility of itself making the TPP permissions within its Register digitally accessible in a machine readable format. Looking forwards to Open Finance this will likely be a key capability to ensure adequate controls are in place to protect consumers' data. The digital version of the Register should have the ability to issue push notifications of any changes to ensure timely implementation by firms.

3. OBL should continue to offer EU permissions checking until the TPR concludes, thereafter cease, subject to consultation of the users of the service

Whilst EU regulated TPPs remain active in the UK under the final stages of the Temporary Permissions Regime, regulatory permissions from their Host NCAs continue to need validation. OBL should continue to offer this service directly in its current form, or via its supplier if the RFI process described above leads to UK Directory services being outsourced, to ensure continuity of service. Given this is a short term arrangement, OBL should determine the most efficient route to maintain this capability without impacting the strategic actions relating to UK certificate and directory services. Upon completion of the TPR (as relevant to TPP permissions), OBL should cease EU permissions checking in an orderly fashion having previously provided due notice to ASPSPs so that they may make alternative arrangements if needed.

Success KPIs:
The end result should ensure ASPSPs and other end users continue to benefit from a robust and effective directory regime, while costs (which will likely be borne by a wider range of users) are minimised. Example KPIs JROC should consider:

- % decrease in costs for UK directory services (2022 baseline) (Reco 8.1)
- % of participants who choose to directly connect to a upgraded FCA register (rather than using third party solutions) (Reco 8.3)

Evidence Base:
Questionnaire data on Directory services showed a general support for FE to remain in charge, apart from those entities which are paying at present (with cost being the primary cited factor):

	CMA9	End User	IA	Non-CMA9	Other	PI&EMI	TPP	Total
Count	**9**	**5**	**5**	**3**	**12**	**7**	**8**	**49**
FE %	22.2%	60.0%	100.0%	33.3%	66.7%	71.4%	50.0%	57.1%
FE NPS %	-88.9%	120.0%	200.0%	0.0%	83.3%	142.9%	25.0%	61.2%

Alternative View: No alternative view proposed

Recommendation 9: **Voluntary Commercial Arrangements**

Exec Summary: Under both Scenario 1 and 2, the FE may need the capability to service industry stakeholders or coalitions of industry stakeholders who have set up and are running voluntary commercial arrangements (e.g. cVRP).

a. Some voluntary commercial arrangements may be independent of the FE but may be subject to mutually agreed appropriate oversight and/or funding arrangements in relation to the use of the FE's services by the participants of such arrangements, subject to the FE's governance processes.
b. Some voluntary commercial arrangements may use the standards maintained by the FE but be run and funded entirely independently from it.

Voluntary commercial arrangements should be funded by their participants and run on a cost and risk neutral basis as far as the FE's costs and risks are concerned.

Problem Statement: Whilst the FE is important for the standardisation and support of the evolving Open Banking (and potentially Open Finance) ecosystem, it is unrealistic and unnecessarily limiting to expect all such future industry capabilities to be developed and operated based solely on FE standards and services. This will stifle innovation. Industry stakeholders or coalitions of industry stakeholders may wish to prototype and develop new capabilities on top of baseline FE standards, either where wider standardisation is not applicable or as a precursor to wider standardisation. The FE should be set up to support such cutting-edge innovation and be able to leverage appropriate mutually agreed oversight and funding where its services are used as part of prototyping and developing such new capabilities.

Detailed Recommendations for both Scenario 1 and 2:

Under both Scenario 1 and 2, the FE may need the capability to service industry stakeholders or coalitions of industry stakeholders who have set up and are running voluntary commercial arrangements (e.g. cVRP).

a. **Some voluntary commercial arrangements may be independent of the FE but may be subject to mutually agreed appropriate oversight and/or funding arrangements in**

relation to the use of the FE's services by the participants of such arrangements, subject to the FE's governance processes.

The FE should have appropriate oversight of any construct that utilises FE services and should be appropriately funded to compensate for any operational load incurred by usage of FE services. Where such stakeholders or coalitions of stakeholders and new capabilities do rely on any FE services, even only in part, they may therefore be subject to mutually agreed appropriate oversight and/or funding arrangements.

b. Some voluntary commercial arrangements may use the standards maintained by the FE but be run and funded entirely independently from it.

The FE encourages usage of its standards irrespective of whether additional FE services are utilised or not. Industry stakeholder coalitions may develop new capabilities based on FE standards, but not use any FE services. In such cases, they will not fall within scope of FE oversight or funding arrangements and should be funded and governed entirely independently.

c. Voluntary commercial arrangements should be funded by their participants and run on a cost and risk neutral basis as far as the FE's costs and risks are concerned.

Voluntary commercial arrangements creating new innovations beyond those of the FE are the responsibility of the relevant industry stakeholder or coalition of stakeholders to fund and govern. If such new capabilities depend (in whole or part) on FE services, then there should be no adverse impact to the FE. This should include supporting prototype testing and any potential sandbox development where operational cost impacts should be compensated for, by mutually agreed funding to the FE, and any additional risk to the FE should be mitigated by mutual agreement.

Evidence Base:
The cVRP model clauses work is an example of this. Twelve industry stakeholders have agreed to work together to create VRP model clauses ahead of any formal industry-wide standardisation through a central body (such as OB Limited or, in due course, the FE).

Questionnaire data on voluntary payment services:

	CMA9	End User	IA	Non-CMA9	Other	PI&EMI	TPP	Grand Total
Grand Total	9	5	5	3	12	7	8	49
FE %	11.1%	60.0%	20.0%	66.7%	66.7%	14.3%	50.0%	40.8%
FE NPS %	-111.1%	40.0%	0.0%	66.7%	83.3%	28.6%	75.0%	24.5%

Questionnaire data on voluntary data sharing services:

	CMA9	End User	IA	Non-CMA9	Other	PI&EMI	TPP	Grand Total
Grand Total	9	5	5	3	12	7	8	49
FE %	55.6%	80.0%	40.0%	66.7%	75.0%	28.6%	50.0%	57.1%
FE NPS %	66.7%	120.0%	40.0%	133.3%	116.7%	57.1%	75.0%	85.7%

Alternative View: No alternative view proposed.

Detailed Recommendations (Deliverable B)

In the group's discussion we have identified in key recommendations areas where other organisations would need to take to ensure the continued successful development of the Open Banking / Finance ecosystem. For clarity, below we reconfirm the key areas where we see this will be necessary:

Recommendation 3: Adherence

As flagged in the core recommendation, the FE will have to rely on regulators to take action in certain scenarios to ensure participants comply with mandatory obligations placed on them as part of a future regulatory framework.

Recommendation 5: Promotion

As flagged in the core recommendation, general promotion should not be a core priority for the FE. This therefore would leave (i) individual product or use case promotion to individual companies or groups of companies operating under commercial voluntary arrangements and (ii) general category promotion and education to the Government / Regulators. This means the Government and regulators will need to continue to take responsibility for (and invest in) promotion of Open Banking or Open Finance services as required by the broader public policy goals they choose to pursue. These promotional activities could include educational efforts on core benefits or risks. The Long Term Regulatory Framework should set clear objectives, and responsibilities and resources to deliver this promotion activity.

Recommendation 6: Directory

As flagged in the core recommendation, part three, we recommend the FCA moves to upgrade its register to enable market participants to directly validate regulated entities on the register (e.g. push notifications). There is already an active workstream to do this, but scoping the requirements in more detail and setting a clear timeline to implement any needed changes would be important. Our recommendation focused on the FCA register, but as Open Finance develops (or even Smart Data) one could imagine other registers being developed.

Next steps

In addition to the above specific recommendations, we would also stress for the Government and JROC (i) the importance of setting a clear long term regulatory framework as soon as possible and (ii) the need for further data collection and analysis (notably on costs of current OBL services) to validate the recommendations where they have had to depend on assumptions due to the limitations placed on the Capabilities sub-group.

4 Funding subgroup findings

4.1 Engagement

Initially, a limited number of industry stakeholders volunteered to be involved in the Funding Sub-Group activities. After this slower start, a number of others have been engaged, with representation covering ASPSP's, TPP's, Payments firms and Industry Bodies with additional support from the FCA's financial analytics team added later. A full list of participants can be found in Appendix 4 to this report.

Wider inputs have been taken through:

- Soliciting responses to the Survey from wider FEWG and other Sub-Group members, including those representing bodies not directly involved in the Funding Sub-Group itself
- Seeking feedback from FEWG members on draft versions of Funding Sub-Group outputs
- Continued direct engagement with the FCA and PSR representatives supporting the FEWG

4.2 Methodology

The sub-group split the elements of its methodology into the following sections:

- Principles and Assumptions – An outline of high-level principles that guide the analysis of proposed models, as well as the assumptions that frame the scope and boundaries of the work.
    - Market Research – Information gathered from other jurisdictions that have implemented open banking, who also have a central entity coordinating delivery to the market This has had less impact on the models considered than initially assumed.
- Survey (see 1.4.1. for more detail on the methodology of the survey)
- Output – A matrix of the survey responses, including (1) analysis of each matrices' pros/cons, and observations on its constraints; (2) identified potential models; (3) justification and rationale for potential models; (4) recommendations for next steps.

4.3 Principles and assumptions

At the outset, the agreed principles and assumptions were broad. As work on the survey responses progressed, so too did the refinement of the principles and assumptions. Below are listed the broad starting points (tables), with the revised principles and assumptions post the survey listed in section 4.4.3.

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

- access to AIS and PIS APPs 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/FE activities within the scope of the CMA Order
- However, during transition phase, we understand the CMA has limited discretion as to when to review and vary or revoke the Retail Banking Order, covering Open Banking, to allow for an alternative approach ahead of the LTRF

Future Entity Funding : Principles and Assumptions : FINAL

Summary – final agreed version from Funding Sub-Group dated 17th August

- Incorporates final comments from sub-group members (ahead of 17th August meeting) and comments from FEWG of 10th August

Principles

- *Firms wishing to participate in the Open Banking ecosystem[1] will need to contribute to the funding of core/support capabilities
- *Both funding costs and liability[2] costs will be shared across all users (broad-based & equitable) in an efficient and proportionate way that reflects the level and structure of the underlying costs.
- Where costs need to be apportioned on a 'market share' basis, the apportionment model will take account of the different business and usage models between AIS and PIS
- The basis for funding should be reviewed regularly (annually or where there is a material change to the future entity or wider ecosystem). Any metric or principles used to apportion funding needs to be indisputable, independently verifiable and at least reviewed annually.
- The funding model will be sufficiently flexible to enable the evolution of long-term developments in open banking in the UK (subject to a governance structure that protects the interests of the participants in the ecosystem)
- Funding needs to ensure the long-term financial stability of the future entity but also encourage competition, innovation and development of the ecosystem for the benefit of end consumers.
    - Implication that the funding model needs to be able to allow the FE to achieve 'surplus' funds for innovation, service development or to ensure the entity remains a going concern, however not for the purposes of achieving 'profit for distribution' or subsidisation of core services
- Any funding requirement will not constitute an unreasonable barrier to new firms entering the ecosystem
- The FE should not seek to generate more funding than is necessary to sustain the ecosystem, ensure a sound balance sheet and to enable funding to support the development of new services (where those new services will have broad take-up across the ecosystem).
- The FE can provide services to the market but must not use its subsidised operation and privileged ecosystem position to out compete private enterprises
- The FE will be managed for cost efficiency and the associated funding model needs to be straightforward and easy to administrate
- Any impact of the funding model on end user outcomes and use cases will be considered

*Note : one responder suggested that these principles are checked as not conflicting with the current PSR's (2017)

Assumptions

- The end state funding model assumes that the CMA Order has ended, and OBIE has transitioned to a Future Entity
- Funding will be split into two categories:
    i. Funding for core capabilities and any support activities/capabilities that benefit all and are to be provided centrally rather than through the market (TBD by capabilities sub-WG) - to be funded based on JROC principle that all who benefit, contribute (i.e. all ASPSPs, TPPs).
    ii. Funding for additional (premium) capabilities – to be funded by those participants that want to use/develop the new service (e.g. additional FE work on Commercial VRP to be funded by those firms using the new service)
- During transition and before end state, that any funding obligation in respect of the CMA Order activity that remains with CMA9 firms is outside of the mandate of this sub-group
- That as a minimum, any initial funding model must work for the Minimum Viable Entity capabilities established by the capabilities sub-WG
- That the funding model will evolve over time with the governance model protecting the interests of participants
- That the initial list of capabilities (from capabilities sub-group) needs to be known before a funding model can be finalised
- That cost-related conversations relating to continued TPP access to APIs (AIS and PIS) under the PSRs, and to premium API's outside the PSR's is not in scope of the Funding sub-group

[1]Ecosystem refers to regulated entities that are permitted access to payment accounts under the PSRs
[2]Liabilities in this context refer to the financial risks of the FE derived from its service provision (e.g. if a service fails) or from its operation (e.g. if it is sued)

Funding Model Assessment : i) Tiered Membership, ii) Pay-as-you-Go (PAYG), iii) Hybrid of Tiered Membership and PAYG : FINAL

Summary Points – across 3 questionnaire responses and 3 Funding Model assessment papers provided:

- Starting point for funding model, is assumption that the FE is intended to be scalable through time to support Open Finance (Capability sub-group 'Scenario 2') although this may be via an MVP (Capability sub-group 'Scenario 1')
- Similar number of benefits and negatives identified for both tiered membership and PAYG models. Fewer negatives identified in a hybrid model vs. benefits
- The negatives of PAYG were linked to the initial period (inc. transition) whilst volumes are lower and therefore impact of fixed costs higher on the unit costs. The negatives of a tiered membership model appear linked to concerns in the longer term around impact on innovation, complexity in a scaled ecosystem and less dynamic
- ***The conclusion reached is that a hybrid approach is best, noting a tiered membership model may best apply both at setup and in some circumstances where fixed costs of 'Core Services' utilised by a subset of the ecosystem are being recovered, with a broad transition to PAYG beyond setup and for all costs that are linked to usage. Several SG members noted that this funding model was most likely to support macro-objectives such as further acceleration of Open Banking uptake in the UK.***

Points of Agreement – Transition

- During Transition (whilst the OBIE and the Future Entity exist):
    i. The CMA9 continue to have a requirement (during a transition period) to fund the services that continue to be provided by the OBIE under the CMA Order
    ii. For services that are transitioned to the FE, initially, a tiered membership funding model covering all participants would avoid high PAYG fees due to higher initial fixed costs of the FE and lower volumes
    iii. At setup, initial funding may need to be considered discreetly to avoid cash flow issues at the start

Points of Agreement – Future Entity

- Post Transition, once only a FE exists (CMA Order ceases to exist and the OBIE has completely transitioned)
    i. Funding of the FE should be via a PAYG model (fair and level playing field, scalable to support growth into smart data, sustainable as dynamic and responsive to change in usage, aligns incentives, minimises barriers to entry, avoids cliff-edges etc)
    ii. The full cost base of the future entity (Core services and Support services provided by the FE) would be recovered through the PAYG model
    iii. Support services not provided by the FE, but instead provided by the market (if any), would not be recovered via the FE, instead participants would contract directly with the market provider
    iv. Units of currency need to be established to support the PAYG model (e.g. number of API calls, customers, payment transactions or otherwise)

Risks

- *Dependency on Capabilities within a FE* : Whilst the scope of capabilities defined in the Capabilities sub-group does not impact on agreement of the funding model or the definition of units of currency, this would impact the cost base of the FE and therefore the fee level aligned to each unit of usage
- *Dependency on Scenario for a FE (ref: scenarios described by Capabilities SG)* : The scenarios laid out in the Capabilities sub-group (Status Quo or full Open Data) will drive different usage profiles and will drive the focus of the FE. Whilst this will not impact the selection of funding model options, this will mean further review of the units of currency is required
- *Hybrid Model Transition Risk* : How to transition effectively from a temporary membership fee structure to PAYG based on usage (as transaction volumes rise), clear roadmap required

Further Work

- *Define 'Units of Currency'* : In a PAYG model, appropriate units of currency could be number of API calls or number of customers, or payment transactions, noting that multiple units of currency could be needed to account for differing participant business models. Key test would be level of granularity / complexity and sensitivity / ease of access to the data supporting the unit of currency. Needs to be easy to implement.
- *Apportionment of FE Costs to Units of Currency* : Assumptions would need to be built on how much of the FE cost base related to each of the units of currency. Need to build assumptions on dividing up the fixed and variable costs relating to each Core and Support service

4.4 Summary of findings

Introduction

The funding of the Open Banking Future Entity (FE) is a complex question. A wide range of decisions must be taken simultaneously to arrive at a complete funding model. These can include broad strategic decisions such as the purpose of the FE or detailed operational decisions such as the mechanics of transferring responsibility from the Open Banking Limited (OBL) to the FE.

Each of these decisions creates an interdependency with the funding model. For example, the FE's stated purpose determines the cost that must be allocated by the funding model whilst the total cost of certain work might limit the scope of what the FE can reasonably achieve. Adding to this, issues of capability, governance and funding are themselves so complex that separate sub committees have been set up to think about them.

To address this, and to allow structured, incremental progress to be made the funding subcommittee has focused on identifying the principles that the funding model should promote and map the parameters that shape a wide range of distinct funding models. Feedback from wider stakeholders as well as members of the subcommittee have been sought as part of this process.

This section details the results of these enquiries and, creates an overarching set of values which we should apply across any funding model and synthesises the results into practical models which are used within our recommendations.

4.4.1. Survey Methodology

A survey soliciting feedback from members of the FEWG and the members of the industry associations representing service providers across the spectrum of open banking stakeholders, including thoughts on the following for both the transition stage as well as a post-transition FE:

- Funding model for each service/activity
- Basis of billing (unit of measurement) for each service/activity
- The service beneficiary
- The service funding party

The survey design referenced Figure 4 from the JROC Report as the baseline for what was included as core services, and what were considered support services.

Current OBL funding familiarity is/was limited, and considerable operational cost information is deemed confidential and unavailable to the wider subgroup. These operational cost details have not been shared with the subgroup, and therefore any specific modelling or representative/indicative modelling is beyond the scope of this group's ability.

The Survey was designed to be independent of any input dependencies from the Capabilities Subgroup. The Survey spreadsheet included:

- Instructions
- Overview of services
- Example worksheet
- Principles and assumptions
- Funding model assessment
- External examples
- Funding Model Worksheet (FMW)

As noted above, the FMW provided a means for all respondents to provide their views on how all services should be funded for both (1) the Future State when the CMA Order has been revoked, and (2) Transition, when the CMA Order is still in place:

- The funding model – is it tiered, Pay-As-You-Go (PAYG) or a specific charge
- The basis of billing – how is the amount calculated
- The beneficiary – who benefits from this line
- The funder – who funds this line

The Survey also included free format text space to allow respondents to add colour and context to their responses; the subgroup felt it important to include both qualitative and quantitative feedback in the analysis.

Respondents were given two weeks to return the Survey by email. The subgroup met to collate the responses and summarise the feedback. The feedback was charted into a matrix, against which each approach was analysed in isolation, as well as multi-matrices sets. The pros and cons of each were articulated, and are detailed in the Summary of Findings section (Sec 4.4) of this report and in the attached annex.

4.4.2. Summary of Survey Responses

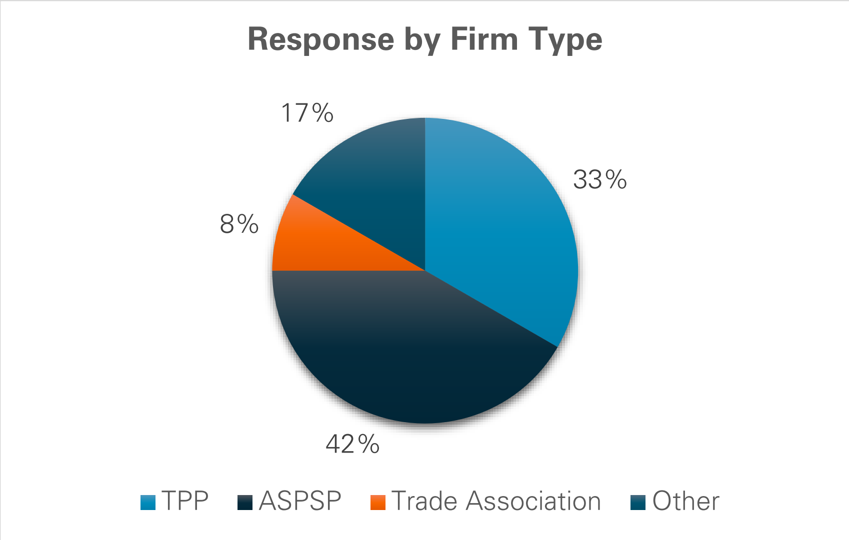
The FMW design was based on **Figure 4** from the **JROC Report** as the baseline for what was included as Core Services (CS), and what were considered Support Services (SS). The services outlined along with their short-hand references (e.g. CS1), are as follows;

- Core Services
  - Developing new Standards and updating/enhancing existing ones – Mandated and applied to all (CS1)
  - Developing new Standards and updating/enhancing existing ones – Specific Change requests from a sub-set of the members (CS2)
  - Developing policy guidance where applicable (CS3)
  - Monitoring conformance and implementation (CS4)
  - Supporting innovation and competition (CS5)
  - Convening and facilitating *ecosystem collaboration, where needed (CS6)*
- Support Services
  - Directory services – certificates or alternates (SS1)
  - Directory services – permissions (SS2)
  - Further Implementation support – Maintenance and Participant support (SS3)
  - Advice to other sectors and countries (SS4)
  - Promotion of the ecosystem (SS5)
  - Specific projects*/development work (SS6) – added by Funding Subgroup.*

The FMW also introduced the funding model options provided by the JROC report, for respondents to provide input on and utilise (where appropriate), in helping them determine the most appropriate funding model by Service activity.

Survey (FMW) results

The Funding Subgroup received 24 responses from a good mix of industry stakeholders (see pie chart below). However, all responses were focused on the Future state, with only c.46% of respondents providing input on the Transition state (mostly ASPSPs). Furthermore, 5 respondents chose to submit letters outlining their views in place of completing the FMW. Their views have been considered as part of the recommendations outlined in section 1.5 below.

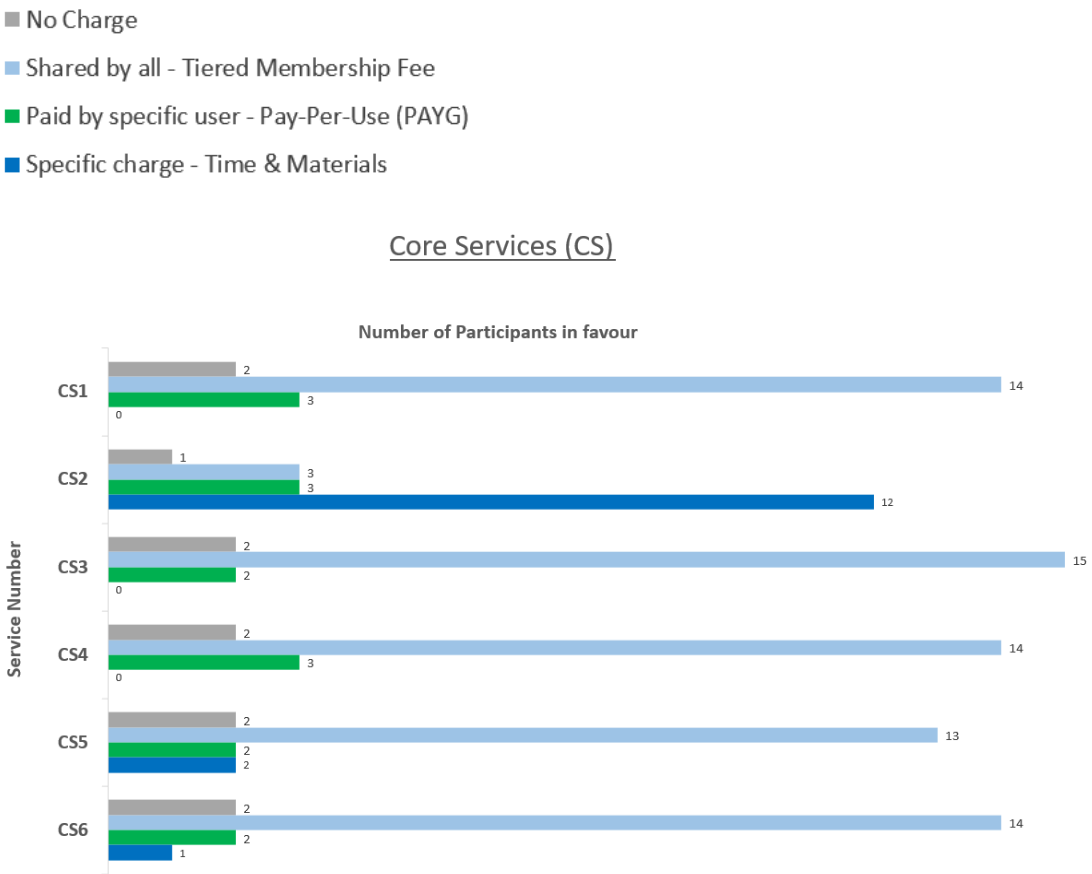


From the analysis of responses provided in the FMW (within the survey), the following higher-level conclusions can be drawn:

- The respondents largely agree that the funding models suggested in the JROC report for consideration, being Tiered Membership, Pay-as-you-go (PAYG) and a Hybrid thereof, are appropriate models to be explored for Core and Support services.
- There is general agreement that funding should be shared with a broader set of stakeholders .
- Most survey responses pointed to the application of a Hybrid funding model.

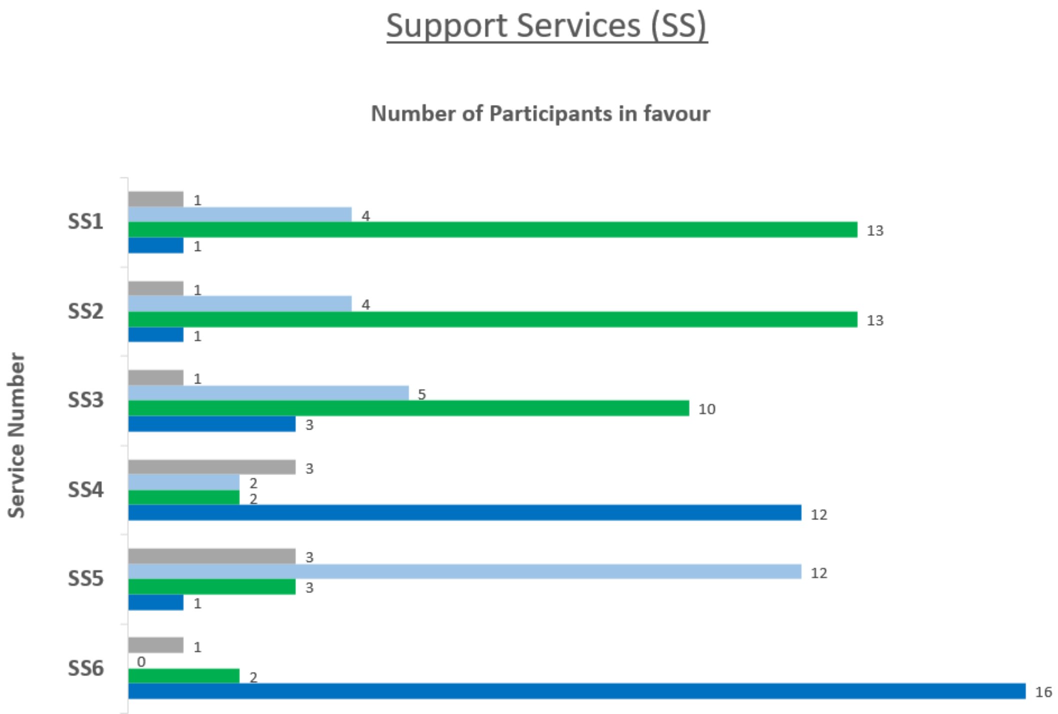
Future State: Core Services (CS) – Most Appropriate Funding Model (By Service)

Note: *Please make note of the short-hand references to the service types (e.g. CS1) outlined above, for the purposes of digesting the graphics below. The survey graphics that follow should be read with reference to the following legend:*



Most core services were seen to be carried out for the shared benefit of all ecosystem stakeholders , and also recognised the fixed nature of the costs underlying these activities. Respondents therefore preferred a Tiered Membership Fee funding model (shared by all) for most core services, except for CS2 where the preferred model was a specific charge based on Time and Materials to the member requesting the service/development. As to basis of tiering or allocation of the membership fee structure across the membership, the views were mixed (by Revenue, Net Asset Value, Number of API calls sent/received, Number of OB Customer Accounts, etc), with a shared emphasis that the basis of billing had to be shared by all members, proportionate, fair, easy to determine/administer and not create barriers to entry for small/new entrants. Most who provided further detail hereon, suggested that the tiered membership fee be an annual fee, paid for in advance.

Future State: Support Services (SS) – Most Appropriate Funding Model (By Service)



- SS1 and SS2: With these services identified as Directory services, respondents mostly preferred the **Pay-as-you-go (PAYG)** funding model – paid by the specific user of the services. This model has become more common as a charging mechanism in the open market and other jurisdictions around the world, as the market develops. The basis of billing most popular among respondents for these services was a fixed fee per certificate (SS1) and fixed fee per API call on the FE or the Service provider (SS2).
- SS3: The **Pay-as-you-go (PAYG)** funding model was also popular with most respondents, with a charge per ticket raised beyond a set fair usage volume being the suggested basis for billing. It is worth noting that those respondents who preferred a tiered membership fee cited concerns about charging on a per ticket basis, in that it could incentivise the wrong behaviours (avoiding ticketed support to reduce cost) and make it challenging to manage.
- SS4 & SS6: Most respondents suggested that services around the provision of advice to other sectors and countries, should be funded/billed for on a **Time and Materials basis** to the specific user/consumer of such services. The same was clearly the case for any specific project and development work (SS6).
- SS5: The promotion of the ecosystem was seen as an activity that benefited all members, and so most respondents felt it should be shared by all members and form part of a **Tiered Membership fee**. General details/scope of what these activities would involve, needed to be agreed to by members to avoid overlap.

Future State: General commentary

The general view was for the FE to be not-for-profit, building reserves to manage liquidity risk/responsible capital adequacy and make the FE an increasingly viable commercial risk-bearing counterparty for stakeholders.

A review mechanism needs to be incorporated into any underlying governance/funding arrangement, so there is a process to revisit this should market/ecosystem change. Perhaps every 3 years, to align with a 3-year business plan/budget.

Transition State

For the purposes of the survey, "Transition" was defined as the period/phase during which the FE and OBL could be operating, with the CMA order remaining in place. The Transition phase could indeed be a multi-year phase allowing for the development and finalisation of the long-term regulatory framework. As mentioned above, less than half of the respondents chose to comment on possible funding models and arrangements during the Transition period. This is due to the complexity or number of variables/dependencies at play in the transition phase, that many respondents did not feel confident enough to comment on. Most respondents who provided feedback on the transition phase were ASPSPs.

Transition State: Core Services (CS) – Appropriate Funding Model

Most respondents felt that core services relating to the development of standards and policy guidance, that fell within the definition of CMA order maintenance, was to be paid for by the CMA9. However, some had suggested that the funding split between the CMA9 (based on current account market share) be reviewed and updated by the CMA or appropriate independent body if possible. Those core service activities that fall outside of CMA order maintenance, should be shared by all members on a similar basis to what was proposed for the Future State (see above).

Transition State: Support Services (SS) – Appropriate Funding Model

- SS1, SS2, SS3 – Most ASPSP respondents recognised the need to allow time for directory and participant support services to scale during the transition phase. They suggested that fixed funding be initially heavily weighted toward large ASPSP's, with a regular review (at least 6 monthly) that gradually tapers down the fixed funding and gradually increases the contribution of the Pay-as-you-go (PAYG) fee over time, until these services are fully paid for on a pay per use basis. As to how the split of the fixed funding fee by large ASPSP's is to be determined, the most favoured view was to base it on the number of API calls.
- SS4, SS5, SS6 – the preferred funding models were largely consistent with those suggested under the future state (see above).

4.4.3. Funding Model Principles & Assumptions (revised post survey)

It should be noted that no particular model completely avoids the risk of unfair/unequal allocation of funding requirements to users of the FE's standards and services, especially new innovative entrants. As such, during the course of this subgroup's analysis, we concluded that the following revised set of principles must be enshrined in the chosen funding model:

Fairness: It should first and foremost be fair for the long-term, and avoid any accusation of being 'unfair' to any group of stakeholders (e.g. TPP's, ASPSP's, *new start-ups, large UK incumbents, global tech companies, etc.), whilst noting that this might not be achievable in a transitionary period (progressive rather than regressive)
Proportionate: Asymmetric to reflect that the participating organisations are not the same
Clear and Transparent: Must be transparent, unambiguous and not open to debate about correctness
Simple to Access: Must be publicly available, simple to access, and reviewable on an annual basis, therefore should rule out multi-metric models and any metrics which are difficult or complex to gather or those which are open to interpretation or ambiguity (e.g. revenue-based metrics) ***Basis of Billing***: Propose that a usage metric that is publicly available to the Future Entity, and unambiguous, within reason, such as number of customers (defined as end consumers or SMEs) or number of API calls is used

Not Lead to Poor Behaviours: Must prevent incentivising behaviours which might result in an under-stated figure leading to lower funding contributions
Simple to Administer: for parties of all sizes the relative cost and complexity of deriving an entity's total cost should be easy to calculate and verify. ***Annual Review***: Propose that the usage metric for each participant used for charging is reviewed annually as basis for the following years charge
Avoid Barriers to Entry: It should support innovation by all, specifically avoiding any barrier for a *new start-ups to start to trial customer propositions ****New Start-Ups***: Propose that a 'free' entry tier is sensible
Recognise Different Business Models: Any unit cost (for PAYG) should take into account differences in business models such as those between data and payments services or 'Confirmation of Funds' ***Payments and Data***: Propose these have a different basis of billing, with each treated differently and the FE's cost base apportioned between these services (Note that any firm that is engaged in both models would receive two charges) ***Future Models***: Propose that any future materially different models (e.g. as Open Finance develops) are factored in on a similar basis as part of annual review
Pragmatic: It should be recognised that no basis of billing is without con's therefore the chosen metric should have strong positives with the con's being things that can be mitigated. That being said for the short term there may have to be an element of tolerance from firms while the model is being refined to the final stage of long-term fairness

** For example a new start-up could be defined as companies in their first 18-24 months of trading and/or have a volume (of API calls or customers) threshold and/or a revenue threshold of entire company (including any parent). Specifically this would not apply to new propositions or subsidiaries set up by existing established organisations.*

We also concluded on the following revised 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
- **Premium Services**: New (premium) services will be funded by those who request/want to develop those additional services

4.4.4. Additional Model: Universal Service Charge (USC)

After the Survey had closed, and results analysed, a late addition model was suggested by a trade association: a Universal Service Charge alongside the funding structure where a flat universal service charge paid by entities accessing Open Banking (or if agreed, an extension to a charge for all Consumers/SME's). The subgroup discussed at length the potential addition, and after presenting the late addition to the FCA observers, decided to further explore its viability within the time constraints set out for this piece of work.

By definition, a USC is a contribution towards maintaining and supporting infrastructure upon which services are delivered. Beneficiaries of the service contribute towards the funding to ensure the infrastructure is resilient, reliable, and high performing. It is based on the principle that connectivity to the network of users/consumers increases in value with each additional connection, and therefore users have incentive to promote expanded connectivity. As such end users have a vested interest in the reliability of the underlying technology layer that enables data sharing and benefit from being connected to the services that infrastructure enables.

The subgroup has discussed two approaches to USC:

1. Participant Only: contributions made by the service providers, i.e., all ASPSPs, TPPs, agents and Third Party Not Providing AIS (TPNPAs) – which would also include big tech, who use the OB infrastructure to do business
2. All Beneficiaries: contributions made by all those who benefit from the OB infrastructure, including end users

The advantage to this model is that the overall individual contributions from firms in the value chain decreases as the number of stakeholders increases. It is a sustainable model, and funding is not adversely affected if firms exit the market. The model could be carried into the Smart Data scheme to support the proposed Smart Data core services.

The Participant Only approach is the logical starting point. It immediately expands the pool of funders beyond ASPSPs and TPPs, therefore amortising the costs across a much larger pool of service providers. The assumption is that the cost burden per firm is immediately significantly reduced; that reduction continues as new providers enter the market. As the Open Finance framework is adopted and additional firms are brought into the regulatory perimeter, that fixed operational FE cost would be divided amongst the much larger pool of stakeholders . The network advantage extends to include diminishing marginal costs for all stakeholders .

The All Beneficiaries approach is more controversial, and has political and competition ramifications since it asks end consumers to contribute to banking technology infrastructure for the first time. This approach would become relevant should data sharing infrastructure be redefined to be a utility or social good. However, as adoption increases and the user base grows, the overall annual financial USC contribution an end retail or small business consumer would make would be pence, not pounds. It should be noted that this approach would only be applicable to data, not payments use cases; payments-related use cases introduce too many complexities and points of friction to make it feasible.

In considering both USC approaches, an assessment of the implications to the competitive level playing field is required.

The introduction of USC may not be an immediate solution, as open banking is still relatively nascent, however the model could be introduced as the ecosystem develops and usage increases.

4.5 Recommendations

These recommendations need to be read in the context that other ecosystem stakeholders, not least the four government departments and five regulators which sit on the Smart Data Council, are setting the direction for the UK on the opening of data beyond banking. As such, consultation and alignment with these other data sharing ecosystem decision makers is crucial, given the potential impact on the future scope and activities of the FE in the medium to long-term, and the cost to the ecosystem if what’s built in the short term has to be dismantled and rebuilt.

As noted in our Summary Conclusion introduction, we strongly recommend that the funding model enshrine nine principles (Fair, Proportionate, Clear and Transparent, Simple to Access, Not lead to bad behaviours, Simple to administer, Avoid barriers to entry, Recognise different business models, Pragmatic)

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

Our recommendations will show the importance of a two stage approach, where during a transition phase simplicity is prioritised to remove inertia from the overall FE transition and enable multiple benefits listed below. During this transition phase, with a wider panel of funders and stakeholders the FE can be set up as an entity fit for the future which is not bound by the existing funding constraints

For a future state, we would propose one of three funding models where either of these funding models could be supplemented by a Universal Service Charge if this was seen as appropriate.

Looking ahead, the next step is to progress detailed economic modelling. We have set out what we believe the focus of this should be and what inputs would be required to enable this.

4.5.1. Transition Period

Transition Period Models

We recognise that the transition period is more about milestones than it is about a fixed timeframe; while the legal setup of the new entity may sit on one timeline, the transfer of assets, as well as services and deliverables, may sit on other timelines. There is a real chance the transition of some services may be multi-year (for example the Trust Framework and Directory), resulting in a phased transition. There are also a number of dependencies that lie outside of this ecosystem's control, like the passing of the DPDI Bill as well as secondary legislation, the finalisation of the long-term regulatory framework, and the ultimate revocation of the CMA Order. Therefore, the interim funding model will need routine review to account for the phases that have been completed to move into the 'end-state' funding model. There will be no predictable moment in time where the transition will switch into the end-state, so routine review for milestones is the only rational approach.

Transition Period Funding Options

During Transition (the period of which should be as short as possible however would be defined by governance and regulatory approach in moving to the FE) the cost of funding the OB ecosystem should move away from solely being covered by the 9 banks who are under the CMA order towards a broader funding arrangement. Spreading the funding amongst more parties during transition it:

- Allows OBL to take on more work outside the scope of the Order to help innovate and advance the OB ecosystem in the UK
- Shares the load of funding across a broader spectrum of firms
- Enables firms who want to participate and invest in shaping the ecosystem to do so
- Allows work within the other JROC workstreams to progress without the reliance on a funding model which is only bound to fund work completed by OBL under the Order.

We recommend prioritising simplicity in the choice of funding model for Transition, with the introduction of more complexity for the end solution.

We have identified three possible structures for the Transition model:

1. All stakeholders contribute through a simple tiering model (no more than 4 tiers driven by company size or consumption – small, medium, large, very large);
   - This will not at this point recognise the difference between payments and data services
   - Note that whilst these metrics might not be a good proxy for level of usage or participation in open banking, this might be only option in the short-term during transition
   - This model is simple and in line with the aspirations of the future state model
   - This is easily expanded to include ASPSPs not under the CMA Order and TPPs (subject to what is achievable ahead of LTRF)
   - A tiered membership model could be beneficial as a result of i) reliability of funding, ii) market consistency and iii) it serves as a proof of concept for the future funding model
2. All ASPSPs in the market contribute based on firm size (no more than 4 tiers driven by company size – small, medium, large, very large)
   - This could be something similar to Part 3 of the Retail Banking Market Investigation Order 2017, which gives % market share of current accounts
   - This model is dependent upon the FCA confirmation that the PSRs preclude TPP contribution before the long-term future regulatory framework is established
3. Hybrid, an extension of 2 to include some TPPs to voluntarily contribute to the transition funding, similar accommodation using a tiered structure could be used
4. Extension of Status Quo under the CMA Order (i.e. CMA9 fund Order-related costs) with non-Order costs funded by all participants in line with model in option 1 above

Transition Period Funding Recommendation

Recognising the constraints that the PSRs (2017) place on the funding model ahead of a LTRF, we recommend that Option 3 is worth exploring in more detail, however recognising that as a minimum, option 4 could be a natural starting point, with a move during transition towards option 3.

4.5.2. Initial Funding of the Future Entity

Initial funding of a FE (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 FE and based on the same basis of billing as outlined for the funding of the ongoing operation.

Whilst some have proposed that initial funding for the FE should be sourced via 'transfer' of funds held by OBL (CMA Order Pre-funding by the CMA9), this is difficult due to the legal obligations that this funding is in place to support and due to the risk of unintended consequences that utilising such funds (originally sourced from CMA9 banks as funders of OBL) could lead to.

4.5.3. Future State

Potential Future State Options

While simplicity is the aim, we recognise that some elements of complexity are required to ensure the selected funding model meets the outlined principles above. The overwhelming response to the Survey also indicated a preference for a blended/hybrid model with a small number of responses referencing the potential for an element of Universal Service Charge. We therefore recommend that JROC consider a combination of tiered funding or a universal service charge to cover the cost of services that are by nature more 'fixed', such as standards. A PAYG model is recommended to recover the cost of consumption-based services like trust certificates and directory services.

Economic Modelling

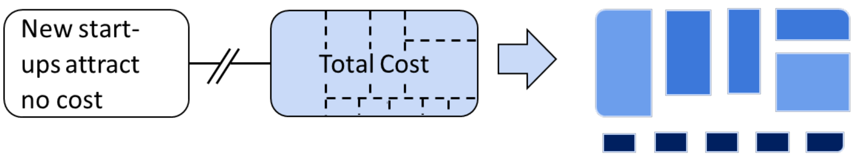
To set the future entity up in a way which meets the 9 'Principles' outlined in section 1.4 our recommendation is for more detailed economic modelling to take place. This model should be built on detailed predicted costs of running the entity which are aligned to the output of the capabilities workstream. The output of that modelling work will show empirically across a number of scenarios how the cost is split between funders based on data. Only on completion of this work can we ensure we have the right funding structure for the entity of the future.

Industry engagement has allowed the subcommittee to make a recommendation on the type of models that are consistent with the principles outlined in section 1.4 above. Further work will be needed however, to move to a more specific funding model. It is our recommendation that the next step should focus on building a series of financial models based on the three representative models below.

These models will need to take into account the conclusions laid out in section 3.5 on FE entities capabilities in order to estimate the total cost any funding model will need to allocate to stakeholders. However, by creating a series of quantitative financial models it will be possible to fully test the feasibility of different allocation metrics, the availability of data to inform the model and to calibrate the parameters of a future funding model with respect to the cost that would be paid by each stakeholder.

The scenarios that should be explored are:

Scenario 1: Simple pay as you go model. Model would provide a carve out for new start-ups that would attract no cost.



Total cost is allocated to N firms using a pay as you go usage metric(s)

$$Levy\ Rate = \frac{Total\ Cost}{\sum_{i=1}^{N} Usage\ metric}$$

Charge for an individual firm i is based on firm i's individual usage

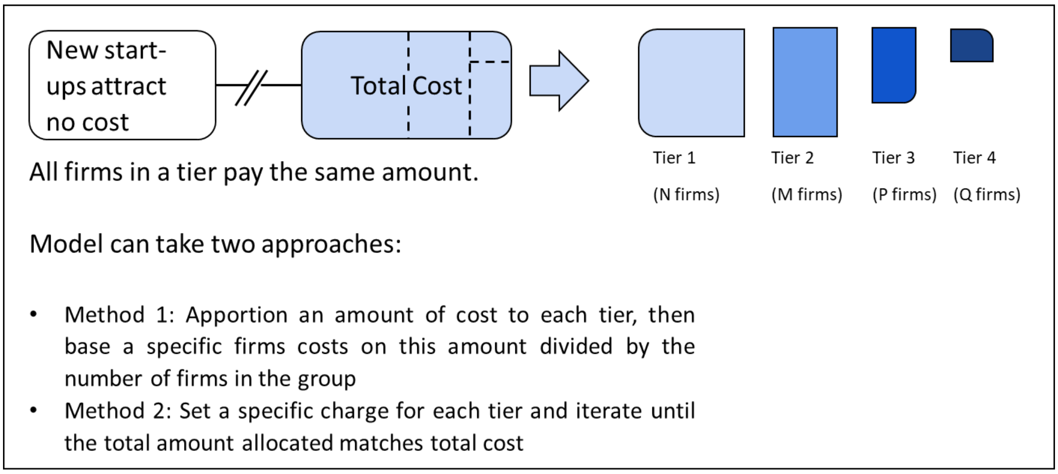
$$Charge_i = Levy\ Rate * Usage_i$$

Scenario 1 would examine an allocation of total costs using a nontiered usage metric or index of metrics designed to reflect drivers of cost. In order to align with the principles discussed above the metric(s) selected must be applicable to all stakeholders and be publicly available.

It is worth noting that the model assumes a common allocation method between stakeholders with different business models. This may cause an issue -- for example, using API calls as the usage metric could cause third party providers that make AIS calls to incur substantially different costs from those making PIS calls.

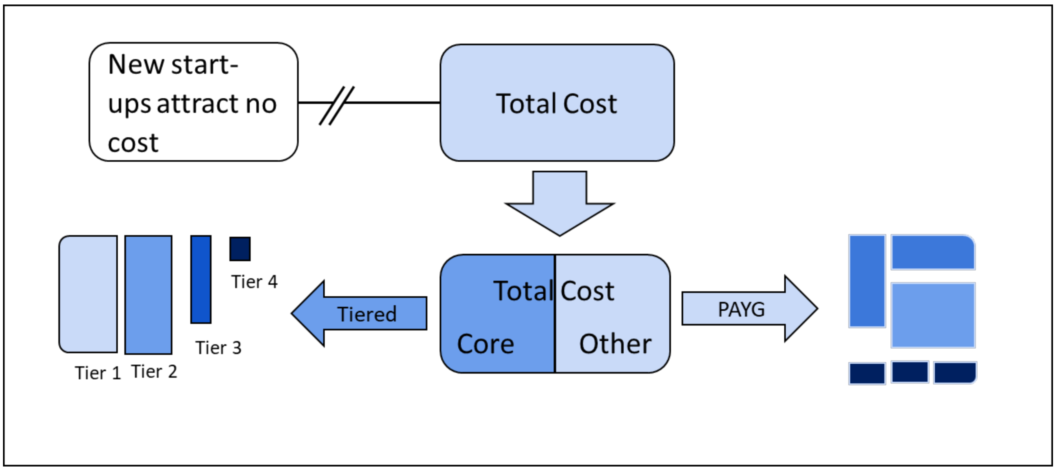
A quantitative financial model has been recommended to help identify these kinds of issues. Should the modelling demonstrate that a firm's business model is driving an unfair distribution it may be necessary to recalibrate the model, though this would need to be weighed against the incentivising effect a pay-as-you go model would have on firms to reduce the overall cost of the Future Entity by streamlining their own practices.

Scenario 2: A cost model based on up to but not more than four tiers. The model would provide a carve out for new start-ups that would attract no cost, for an agreed period of time, e.g., 24 months.



Scenario 2 would examine an allocation of total costs using a set of tiered charges. The metric(s) used to place stakeholders in different tiers could draw on ability to pay or pay as you go metrics. As with scenario 1, however, the metrics selected will need to align with the principles above and should also have regard to the issues raised around the availability of some financial metrics.

Scenario 3: A hybrid model which uses both a continuous pay as you go and tiered cost allocation methods.



Scenario 3 begins with an examination of the proposed capabilities of the new future entity and splits these services into core services, which are relatively fixed in nature, versus other services where cost is driven by the activity of users. For core services a tiered system is applied to all stakeholders. For other services a pay-as-you-go model is used for all those with a non-zero usage metric. As with Scenarios 1 and 2, this model also envisages the provision of a carve out for new start-ups that would attract no cost, for an agreed period of time, e.g. 24 months.

In order to evaluate the three scenarios the financial modelling will require:

- An estimate of total cost with reference to the future entities proposed capabilities
- A decision on whether to include an additional amount (a "profit" or contribution) within total cost to fund future service expansion
- An estimate of the number of stakeholders in scope

- A set of usage metrics to test. These metrics should be easily available, with little effort and limited complexity
- A definition of new start up and decision on how long this status will last

For scenario 3 the model will also require:

- A definition of core and other services
- A decision on which stakeholders make up the cohorts that attract charges from core and other services.
- A decision on how overhead costs will be split between core and other services
- If an excess above cost is incurred, it needs to be considered whether this be levied through both channels or only one.

The funding sub-group has discussed these issues and offers the following reflections:

Availability of Data

The funding models proposed by the sub-group and backed by industry engagement are all predicated on being able to source suitable allocative data. One of the reasons to conduct financial modelling is to test which specific metric(s) produces results which seem fair and proportionate. However, the subcommittee stress the need for a basis of billing which is known to the future entity without the requirement on funders to submit additional data points and which can be used consistently within specific stakeholder cohorts.

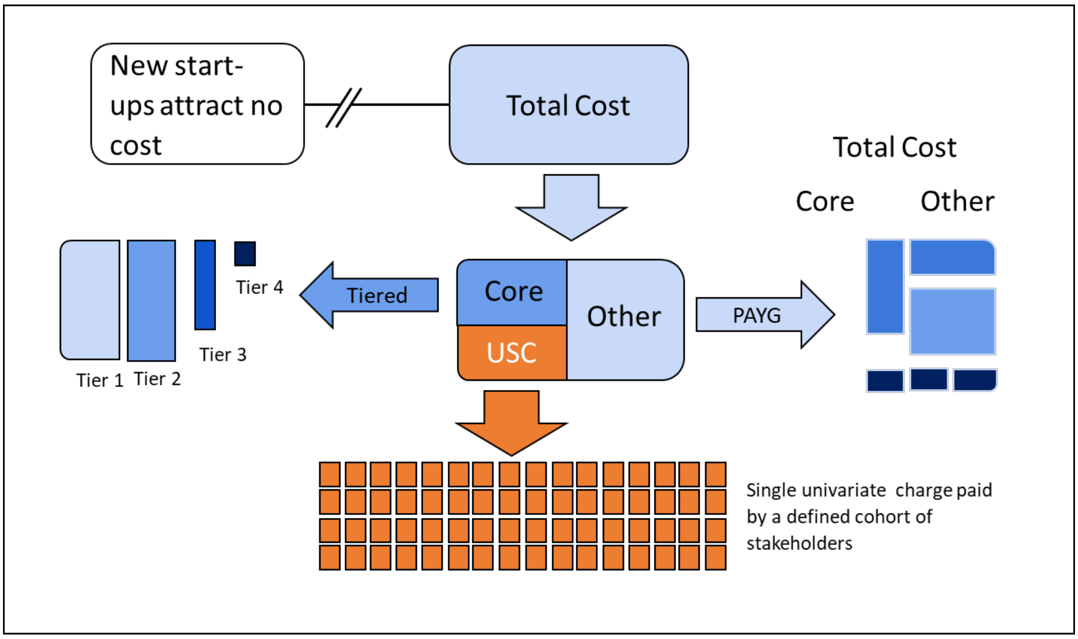
Additional Services Provided by the Future Entity

There will be requirements of the future entity which only benefit a subset of participant e.g. special projects for specific participants/groups of participants, or alternatively, only apply to certain participants (e.g. Order vs Non-Order activities).There are several ways these can be addressed. One option is to treat these as a further class of other cost. In essence billing the cohort of beneficiaries separately for a ring-fenced set of costs related to the creation and onward running of the service. An alternative would be to specify that an additional amount (a "profit" or contribution) be collected in order to fund this type of service development. At this stage the subcommittee would recommend looking at the results of the financial model and then considering all options in light of decision made on capabilities and governance.

Universal Service Charge

There is also the option for each of these scenarios to apply a Universal Service Charge (USC) alongside the funding structure where a flat universal service charge paid by entities accessing Open Banking (or if agreed, an extension to a charge for all Consumers/SME's). Assessment of implications to the competitive playing field will need to be considered further in relation to both USC approaches.

For example, the hybrid model could be adjusted to accommodate a universal service charge that would reduce overall cost and hence reduce the rate at which core and other services were recouped from other stakeholders.



The scale of the fee could be set to recover a larger or smaller proportion of the FE cost base, and this is best tested through financial modelling. It would, in theory, be feasible to set this to recover total cost in its entity avoiding any additional cost allocation methods.

4.5.4. Summary Next Steps

We propose the following next steps:

1. There is an option to establish a transition state for OBL's 2024 cost base. This is modelled based on the three transition charging options outlined in 1.5.1., with proposals established for tiering (subject to FCA and HMT guidance on what is feasible under the current PSR's)
   - CMA to consider a review of the retail banking order where an amendment might facilitate changes in funding arrangements sooner than a long-term regulatory framework
2. Funding sub-group to refine the scenarios and brief for detailed economic modelling with a wider stakeholder base which includes the output from the capabilities and governance sub-groups.
3. Detailed economic modelling for the 'Future State' options
   - Examination of actual charge using the likely size of the FE cost base with example firm personas (e.g. new start up, small UK TPP, large UK TPP, small UK ASPSP, large UK ASPSP, global TPP, global big tech, etc)
   - Worked examples should also help manage expectations across the market as to how different stakeholders may be charged

Synthesis of Funding subgroup Survey Responses

Sources of funding

In considering the funding question the focus of the survey has centred on the principles and mechanics for allocating the cost of any future entity. As the results were analysed and discussed within the subcommittee however, it was clear that another parameter also requires consideration.

Under the current system the CMA9 has been the only source of funding for OBL. The future entity will be able to draw on a far broader range of stakeholders for its funding. E.g. a subset of:

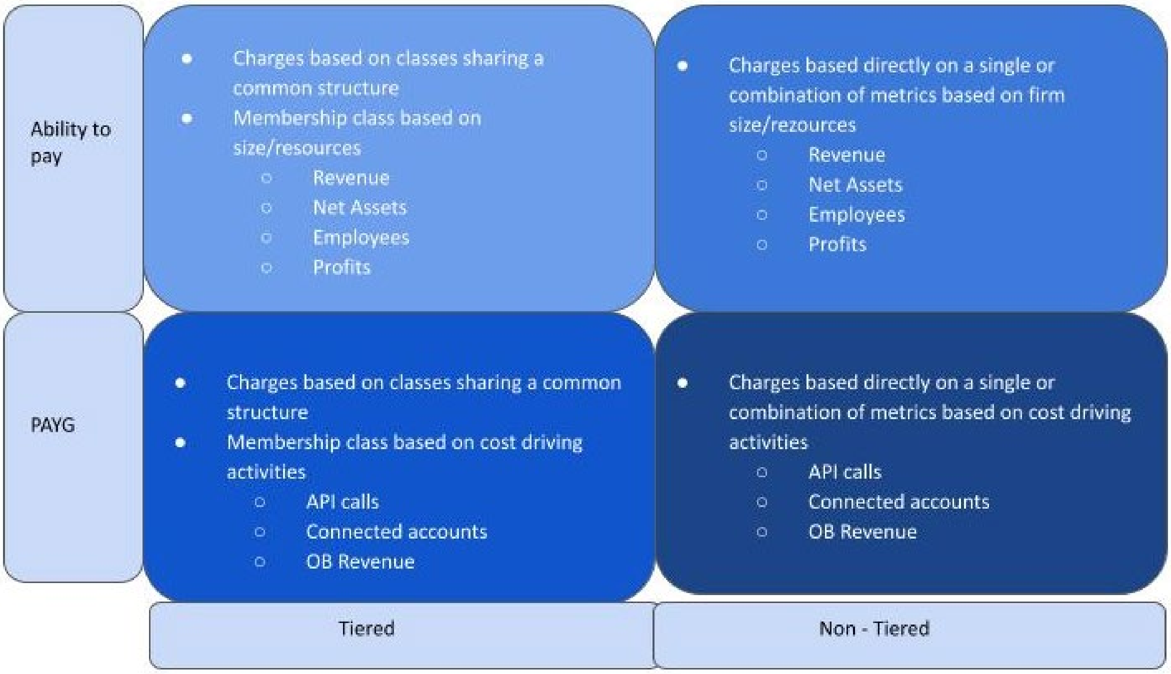
- Existing ASPSPs that fund OBL
- Wider group of Account Servicing Payment Service Providers
- Third Party Providers
- Businesses using open banking services or Consumers (should a version of the Universal Service Charge model which charges fees to end consumers or businesses be chosen)

Any funding model must consider which stakeholders will be included or excluded before an allocation of cost is conducted. As discussed below, the cost of different services may be allocated in different ways and so a funding model may also source their funding from different groups. Section 4.5 provides several examples that illustrate how changes to the sources of funding parameter can alter the overall design of the funding model.

Allocation methods

The matrix below considers two sets of parameters which, when taken together, can be used to describe a specific cost allocation mechanism. The first parameter examines the mechanics of cost allocation and considers both discreet categories (tiered) or continuous (non-tiered) methods. The second parameter examines the basis on which cost should be allocated the subcommittee has considered how costs may be allocated based on stakeholders ability to pay or the extent to which they cause costs to be incurred which we refer to as a "pay as you go (PAYG) model

What follows is an evaluation of each parameter individually and in combination. This is followed by a high level view of all the survey responses, noting there were additional nuances from the Survey free format text box. For each parameter or combination we have provided some example metrics with pros and cons which have helped to guide our recommendation.



Single versus multi-metric allocation methods

For any combination of parameters, a single method of allocation could be used. A model which selects tiered- ability to pay may place stakeholders into categories based solely on revenue. Alternatively, a series of metrics might be used to gauge ability to pay with stakeholders placed into categories using an index of metrics that measure different aspects of ability to pay (revenue, profit etc). Both approaches have benefits and drawbacks.

Single metric: A single allocation method is typically less complex but can lead to greater distortions at odds with the intention of the original policy design.

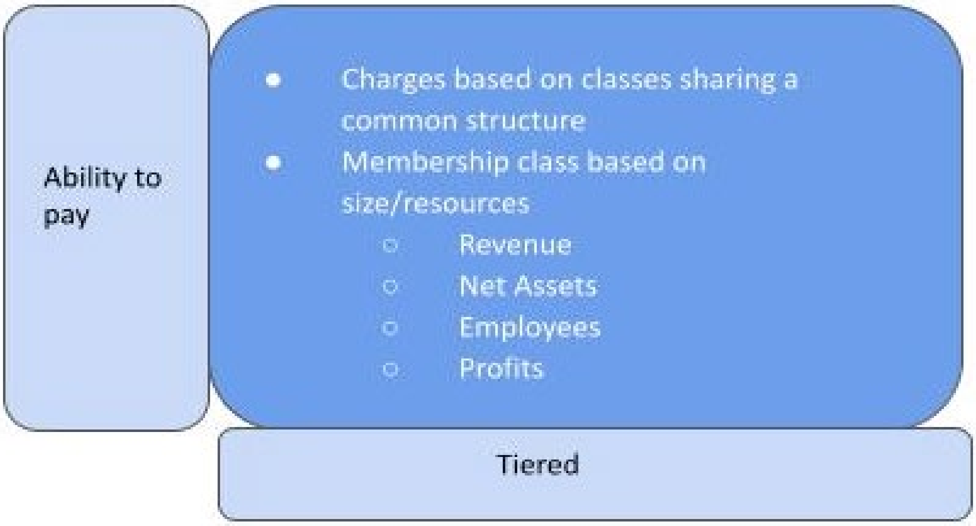
Pros	Cons
• Objective (however, cost paid by a tier can still be arbitrary even if membership of that tier was established using an objective metric) • Simpler to apply (but firm level metrics can be subjectively reported) • Can adjust to changes in membership deterministically • For a fixed set of services will tend to reduce costs for all firms as the number of firms increases • No need to decide on how to weight different factors	• Will only be proportionate in one dimension, could be distortive • Can lead to extreme cost allocation results unless tiered or capped • Can lead to perverse incentives

Multi-metric: This adds complexity both conceptually and logistically; the primary benefit is that it allows for a broader definition of proportionality and makes odd results less likely.

Pros	Cons
• Can take account of more than one dimension of proportionality • Can make use of both observable qualitative/unobservable variables • Can include usage rates • If using only observable variables: • Objective • Allocation method adjusts to changes in membership deterministically	• Methodologically complex • Requires an explicit weighting of different factors (which may be difficult to establish analytically anx hence may be more or less arbitrary) • Expands the number of variables that will need to be submitted by members or reported by the FE's finance function • Combination of both ability to pay and cost drivers can threaten to eliminate pros and retain cons of both approaches

Single metric cost allocation

<u>Tiered – Ability to pay</u>



Funding can utilise a single approach for all costs.

Pros	**Cons**
• Simple to determine/administer • Bank data is published and transparent • Would minimise costs for smaller / start-up organisations (pro-access) • Cost for smaller participants/those with less profitable business models proportionally much lower • Tiering allows further weighting towards or away from certain sizes of participant • May provide more financial certainty for the FE (in extremis, were there to be a period of significant financial stress on sub-sections of the ecosystem)	• May unevenly match costs to benefits/usage • TPP data is not public and not easily validated • Could lead to disproportionate subsidisation based purely on organisational size • Less egalitarian which may impact on willingness to fund and drive innovation • Metrics such as revenues complicated by jurisdictions and sources, plus some firms can be loss making, as result the consensus is that revenue and profitability are not selected as metrics • Cliff-edge of tiers means significant step changes in contributions which might disincentivise growth • Funding likely to only be in line with predicted expenditure
Questions to Consider • Would the decision on ability to pay be based on one of the four suggestions? Or on an unspecified amalgam of all four? Or some derivation?	

• How often would it be re-evaluated? Annually? Or at a significant event, like a fund raise, assuming the accountants put that in net assets? If the latter, how would this be tracked? • How would revenue be calculated and verified for companies where OB/F is one line of service that may not be declared in their accounts?

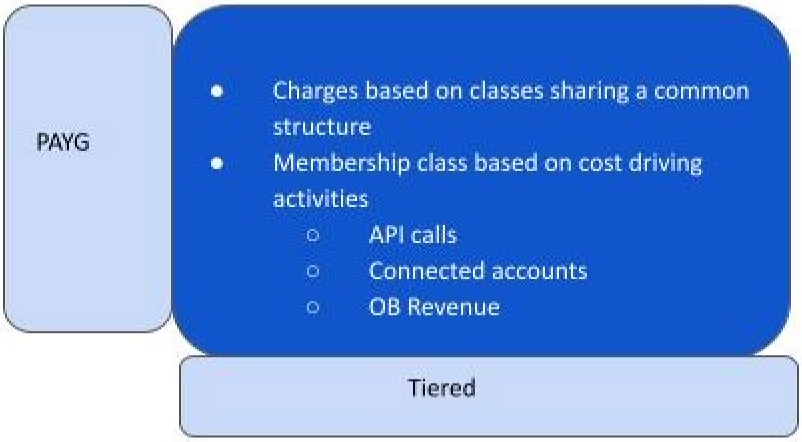
Non-Tiered – Ability to pay

Funding can utilise a mix of approaches for different lines e.g. standards vs trust services.

Pros	Cons
• May more accurately match cost to usage • Independent body to determine funding proportion between TPPs and ASPSPs • TPPs and ASPSPs could adopt different models to fund their portion	• Could lead to disproportionate subsidisation if the % determination was based largely on organisational size • Cost/complexity in appointing external body + similar challenges to the funding group in determining criteria for 'fairness' • May be difficult for ASPSPs and TPPs to agree how to apportion their share of costs • The consensus is that revenue and profitability are not selected as metrics
Questions to Consider • One of the responses referenced that an independent body could partition costs between TPPs and ASPSPs. In this context, is the 'independent body' the FE? If not, then is this a new entity or an existing unspecified one? How would it be paid for and by whom, under what metrics?	

- How would this body assess benefit? Sounds like they would need to be deeply embedded in each client to be able to assess this
- What value would the 'independent body' bring vs the additional cost of this approach? Who would they be accountable to?

Tiered – Pay as you go

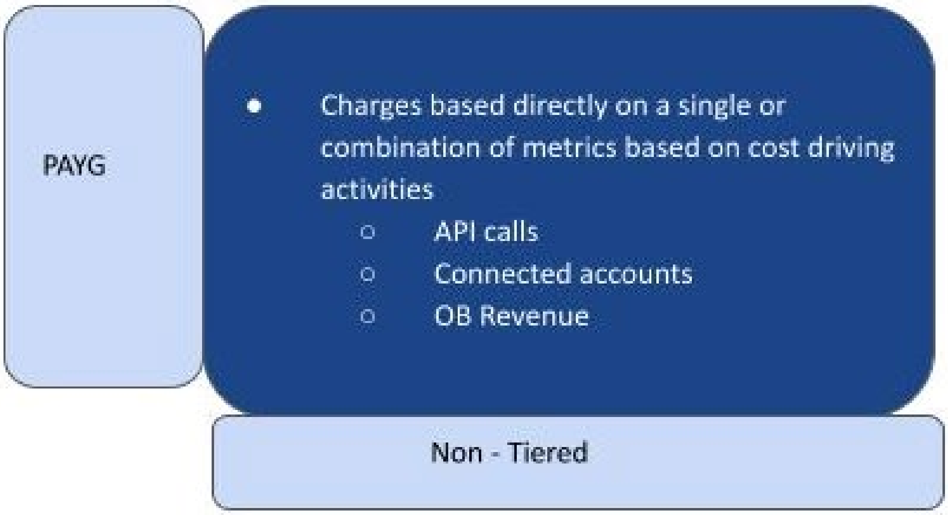


Funding can be up front (i.e. firms pay annually/quarterly up front)

Pros	Cons
• Less financial risk • Usage-based metrics would represent a fairer mechanic for tiered charging • Can be monitored through regulatory reporting MI • Charging could be applied above a certain transaction threshold to avoid the risk of an adverse impact on competition and innovation e.g. from new/small providers • Fairer system in respect of firms contributing in line with the benefit and use that they are getting from the ecosystem. • Typically, tiering rewards higher usage with lower prices which could help incentivise ecosystem growth and innovation. • Potential that faster growth in usage could generate reserves or reduce funding requirements in subsequent years.	• Requires estimation of usage or metrics up front that may then require adjustment/true-up in the case of usage based metrics • A tiered funding approach only makes sense for some FE cost lines e.g. some of the standards updating/enhancing activities • Still relies on transparency of other information provided by firms (e.g., OB revenue) • High call/low margin business models that still generate public good may be penalised • May be shortfalls in FE funding (or a need for additional funding) if there were a sustained downturn in usage • Typically, tiering rewards higher usage firms with lower costs which could disadvantage smaller firms • The consensus is that revenue and profitability are not selected as metrics

• Use cases need to at least be cost neutral weeding out low value use cases	
Questions to Consider • How would the FE track connected or served customers? How would they track OB revenue? And how often would this entity check? Monthly, annually, other? • Presumably tracking would be on successful calls, rather than all calls? • How do we not punish companies for testing/innovating?	

Non-tiered – Pay as you go



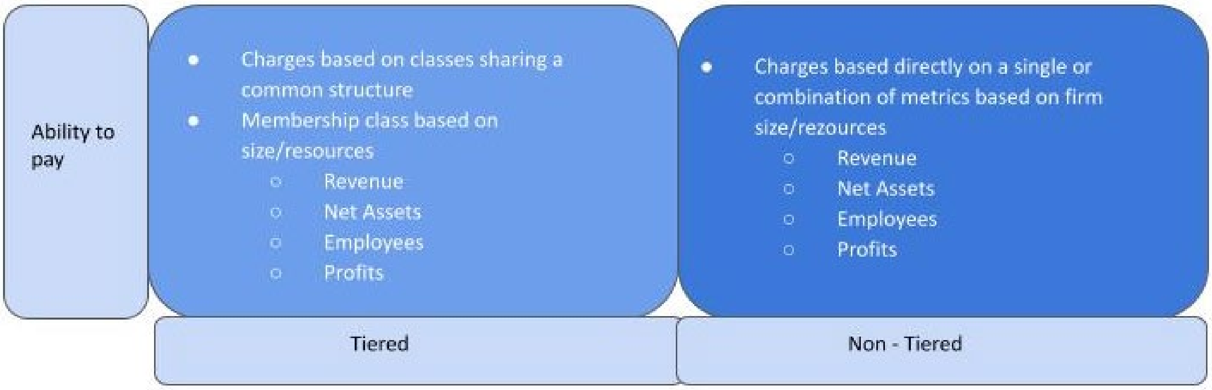
Funding can be true PAYG based on individual usage over time

Pros	Cons
• Allows potential to generate additional funds if usage grows and adjustments feed into following year rather than retrospective adjustments • A true PAYG approach has the potential to more fairly allocate costs based on derived value • Fairer system in respect of firms contributing in line with the benefit and use that they are getting from the ecosystem • Funding scales linearly with usage without any steps • All firms remain on an even footing if per unit costs are always the same	• Can only be applied to sub set of cost items, i.e., directory services; cannot be applied to core services like standards maintenance • But a true PAYG approach only makes sense for a subset of the FE's cost lines e.g. relating to directory services activity • Usage and benefit are not the same thing – one is objective and one isn't • High call/low margin business models that still generate public good may be penalised • May be shortfalls in FE funding (or a need for additional funding) if there were a sustained downturn in usage

• Use cases need to at least be cost neutral weeding out low value use cases	• No benefits from growing size may disincentivise growth and innovation • Potential challenges counting all API calls etc. • The consensus is that revenue and profitability are not selected as metrics
Questions to Consider • What value would the 'independent body' option add? • How is this addressed when ASPSPs are also TPPs?	

Multi-metric cost allocation

Ability to Pay: A method of allocation where charge is proportional to the resources of the stakeholder or group of stakeholders.

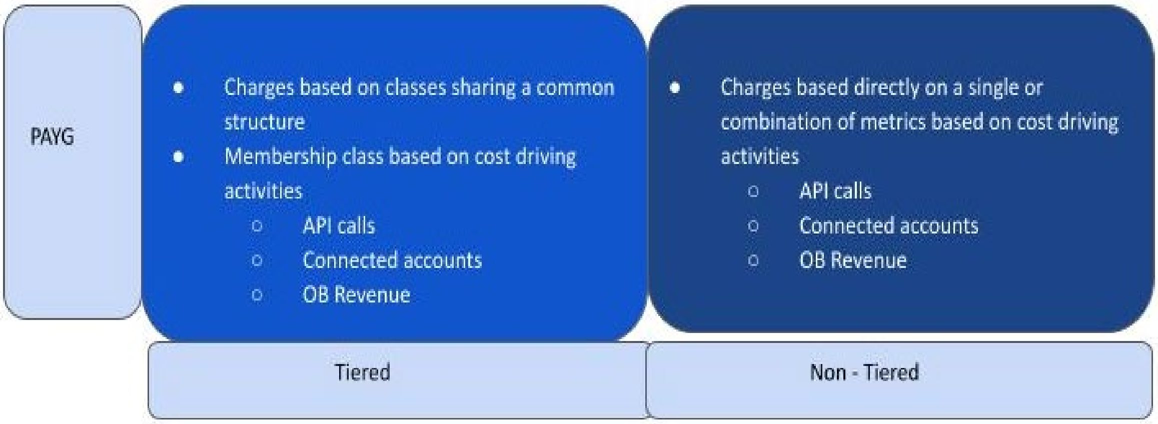


Example: Overall Firm Revenue		
Pros	**Neutral**	**Cons**
• For those firms who publish data publicly, it is transparent, unambiguous, not open to debate • Encourages entry from smaller providers	• Largest/most diversified firms to contribute most funding. • Funding not proportional to service usage – likely to be cross-subsidy from high volume to low volume participants	• Not all firms publish, therefore could be difficult to access and not easily reviewable • If revenue included is not related to the services being provided (OB/OF) it would be unfair

Example: OB Linked Revenue		
Pros	**Neutral**	**Cons**
• Seemingly more fair • Encourages entry from smaller providers not yet highly commercialised	• Results in cross-subsidy from more successful participants to less successful actors • Incentivises capital-light models – promotes efficiency but risks underinvestment • Funding contributions correlated but not fully proportional to service usage – may result in some cross-subsidy where there is variation in provider business models	• Not all firms publish LOB data, therefore could be difficult to access and not easily reviewable • Not transparent and is ambiguous (what revenue count, how does it get validated) • Could incentivise poor behaviours leading to understating OB revenues • Penalises TPPs that are more successful at commercialising services (driving higher margins)

Overall Approach	
Pros	**Cons**
• Could be regarded as fair as those who can pay more do so. • A progressive allocation principle reduces the burden on firms who can least afford to pay which promotes market competition • Larger established incumbents are less risky than new smaller start ups	• Could be regarded as unfair especially where larger firms make less use of services • Provides no economic discipline in regard the use of a service • Could create perverse incentives regarding growth • Unless metrics are defined with reference to statutory accounts there will likely be no third party oversight of the figures submitted • Ability to pay allocation methods typically require knowledge of the firm. Collecting this data may come at a cost to members and the future entity and membership probably requires some form of disclosure agreement.

Pay as you go: A method of allocation where charge is based on the extent to which a stakeholder or group of stakeholders cause a set of costs to be incurred.

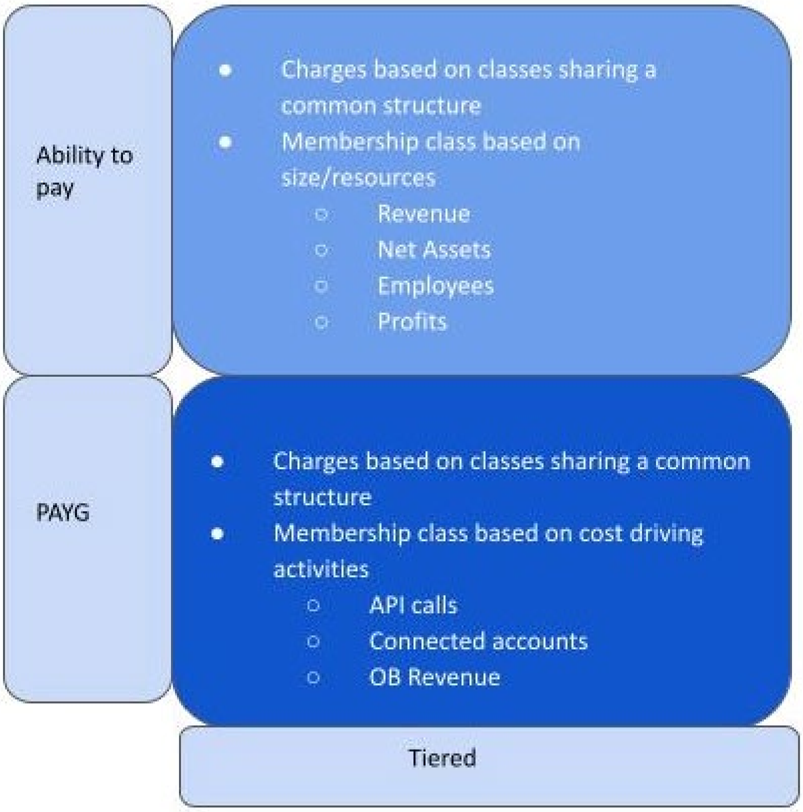


Example: Driver of Costs (# of customers or API calls)	
Pros	**Cons**
• Transparent • Unambiguous • Publicly available • Easy to access • Reviewable	• Valid challenges to fairness for firms relying heavily on API calls, but with low margin • High volume/low margin propositions couple see unfair outcomes vs. low volume/high margin propositions

Overall Approach	
Pros	**Cons**
• Could be regarded as fair as those who most cause cost to be incurred pay more • Incentives firms to use serves as efficiently as possible • Better mirrors the price set by a competitive market • Similar to other entity funding models that work successfully, such as Pay.uk	• Can only be used on costs that have a cost driver. Fixed costs or non-rivalrous services (such as standards) do not have cost drivers in the traditional sense. • May require a more complex allocation method if different business models are not to be penalised with higher cost • Could be regarded as unfair especially where small firms pay more than far larger firms • Could create perverse incentives regarding usage • Drivers of cost allocation methods typically require a detailed understanding of how costs scale with use. Maintaining this data may

	come at a cost to the future entity and hence member firms.

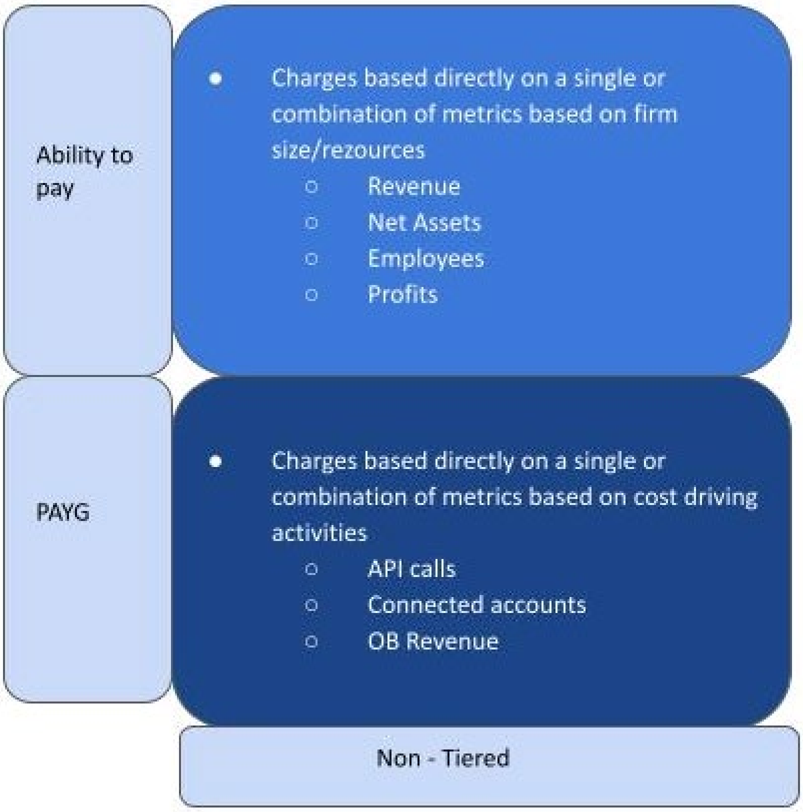
Tiered Pricing: Allocation using a finite set of categories or tiers with a consistent fee charged to every member of the same category.



Overall Approach	
Pros	**Cons**
• Allows for costs to be allocated differently to different types of firms • Prevents extremes in the final allocation of costs. The tier paying the highest charge cannot be charged more than other firms in its cohort even if there are substantial differences between them. • Costs are likely to be more stable under a tiered system barring movements between tiers see cons below) • Tiered pricing means broadly similar firms pay the same which may be perceived as being fairer than	• Will need to be recalculated over time • Adds an additional layer of complexity. Having agreed a metric to categorise firms into tiers another methodology would be required to agree the differential rates that would be paid by each tier. Unless it is determined on an arbitrary basis it is likely some form of non-tiered system would be required. • Depending on how often tier membership is examined, change from one tier to another will cause a sudden spike in cost which may be

differences created by a more continuous allocation mechanism • May stay current for longer as metric can change year on year without altering a firm's tier	harder for some firms to accommodate • The binary nature of categories could lead to some firms being just inside (or outside) a category which could feel unfair to participating firms

<u>Non-tiered Pricing:</u> Allocation of cost using a continuous metric or set of metrics



Overall Approach	
Pros	**Cons**
• Allows for costs to be allocated differently to different types of firms • Allows for continuous differentiation between different firms • Once metric(s) are selected no further judgement is required	• Will need to be recalculated over time • Will become out of date quickly • Depending on the metric selected can lead to extreme outcomes. For example, a firm whose metric(s) are vastly larger than all other firms would functionally be left to pay all costs. Could be addressed by caps and floors.

Allocation methods

As discussed above, no particular approach to cost allocation can completely avoid the risk of unfair/unequal allocation. However, when considering specific metrics a consideration of the possible distortions they may create can help guide decision making on more granular design decisions to mitigate or correct for any distortions created.

5 Governance

5.1 Engagement

Unlike the Capabilities and Funding Sub-Groups, the Governance Sub-Group did not have questions on which it sought to capture views in a structured way from across the ecosystem. The Sub-Group itself included representatives of ASPSPs, TPPs and end users as well as OBL and others.

The Sub-Group leads were keen, however, to connect with other end-user representatives and advocates, since the end user voice is under-represented in the work JROC set in train compared with other categories of stakeholders. They did this by presenting progress reports at OBL’s Expert Consumer Group meetings, and encouraging feedback and challenge, and by engaging with a small informal reference group of organisations and individuals that have taken part for some time in open banking discussions from the perspective of end users.

5.2 Methodology

5.2.1. Adherence to JROC design principles

The Governance Sub-Group followed closely guidance it has been given by JROC. Key elements were:

- JROC’s vision for the future entity
- JROC’s design principles for governance.
- input from JROC and its members on the relationship between the future entity and its likely regulatory “overseers”, FCA and/or PSR, under the new long term regulatory framework.

With regards the vision for the future entity, JROC has established that that future entity should:

- Support the development of new, and improve existing, open banking propositions to promote competition and innovation within the financial sector;
- Improve existing and develop new standards and guidelines for all ASPSPs and TPPs to implement new products and services and to ensure consistent user experiences and interoperability across use cases;
- Monitor and gather data on ecosystem performance on an ongoing basis and provide and maintain critical services and technical infrastructure (such as conformance tools and a service helpdesk) to ensure industry conformance with standards and guidelines;
- Convene and facilitate ecosystem discussions with a wide range of stakeholders where appropriate, and act as a facilitator in circumstances where collaboration amongst ecosystem stakeholders is required (for example, supporting the development of multilateral agreements for new services, facilitating data collection and sharing, understanding instances of financial crime in open banking payments, etc.);
- Possibly develop and update rules beyond technical standards and guidance in relation to commercial APIs; and
- Monitor market developments and ensure compatibility with the activities of other key actors, including the impact of the New Payments Architecture, Faster Payments rules, authorised push payment (APP) fraud initiatives, the FCA's consumer duty, smart data legislation and open finance, and align with relevant changes to ensure open banking can continue to grow and scale.

JROC has similarly set out design principles on governance:

- The future entity must adhere to high standards of corporate governance develop financial sustainability, and deliver against actions set out by JROC
- The governance arrangements must reflect the purpose and objectives of the future entity, including playing a central role in supporting the long-term sustainable growth of open banking and future developments.
- The future entity must be led by an independent board and underpinned by a set of values and cultures that include an emphasis on integrity, transparency, and promoting ethical behaviour. The board must:
    - Be balanced, competent and diverse;
    - Assume the responsibility for setting out easily identifiable and measurable outcomes for open banking, highlighting the importance of data security and reliability, and advance the interests of consumers and businesses, the entire ecosystem, other financial firms subject to the PSRs 2017 and non-retail banking financial firms;
    - Effectively identify, assess and manage risks, including potential downstream risks to consumers and businesses;
    - Ensure that the governance structure reflects effective and adequate representation of the interests of relevant industry and end user stakeholders, including consumers and businesses, throughout its decision-making, from governance to delivery.
- The future entity will be subject to regulatory oversight but will retain operational independence in its day-to-day work and not give decision-making power to regulators.
- The future entity must have a separate Chair and CEO, with the Chair responsible for leading the Board and the CEO responsible for ensuring the future entity delivers the strategy.
- The future entity must have an appropriate committee structure, including audit, risk, nomination and remuneration committees, and maintain an effective HR function.
- In the future state, the future entity must comply with governance principles that will be set out under the long-term regulatory framework, will be similar to the requirements above.
- In the future state, the independent leadership of the future entity will be accountable to the relevant regulators in accordance with the long term regulatory framework (including relevant Smart Data scheme)

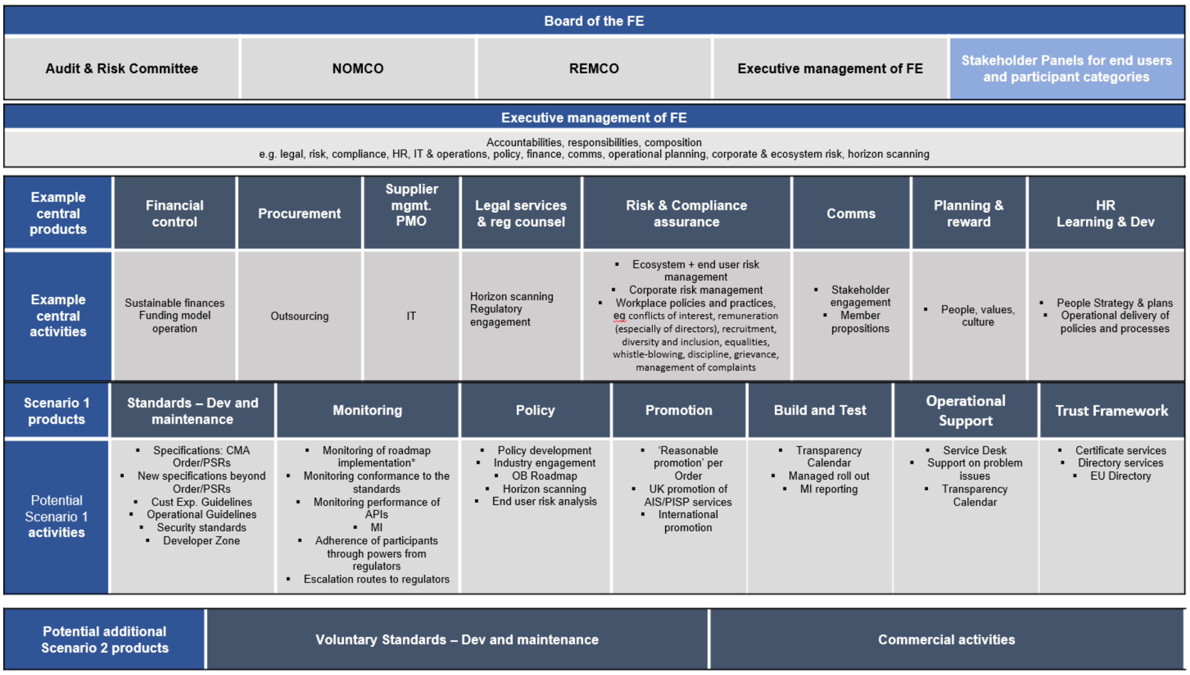
5.2.2. "Lego House" – governance for potential components of the future entity

Our approach has been to consider the governance of the future entity as a whole, and the detailed governance requirements for specific functions ("capabilities") that it might be given.

The aim is to equip JROC with governance "building blocks" it can assemble once it has made specific decisions on the capabilities of the future entity. This approach means we might have considered the governance for functions the future entity does not end up having.

5.2.3. Model of the future entity

Central to our method was a "model" of the future entity – a "strawman" visualisation of corporate structure, governance and products. The product set broadly follows the scenarios constructed by the Capabilities Sub-Group.



Throughout, we have considered the key dimensions of governance to be:

- who is the decision-taker?
- what are the inputs to decisions?
- what are the outputs, actions and impacts that flow from decisions?
- what are the controls around decisions, including the role of transparency?
- how are stakeholders involved?

5.3 Assumptions

The Governance Sub-Group has made assumptions about certain principles, practices, and processes in order to effectively analyse possible governance models and make recommendations to JROC about the best practices to adopt for the future entity in both its transition state and the end state.

As such, our working definition of governance is:

"A system of rules, practices, and processes by which a company is directed and controlled in order to ensure transparency, accountability, and fairness and to protect the interests of stakeholders."

The following are the set of assumptions on which our model and recommendations for the end-state future entity are based:

- 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 PSR under the long term regulatory framework (LTRF)
  - o The LTRF is assumed to include Smart Data legislation requirements related to open banking (as currently delivered), and the secondary legislation (including any relevant regulations) that will ultimately address open finance requirements
  - o The LTRF is also assumed to replace the CMA's Retail Banking Order, which will be revoked at the appropriate time

    - The regulatory oversight will be inclusive of what to do; how to do it 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 membership rules and standards and to enforce them against members. Escalation routes to regulators must be available for certain types of non-compliance by members, and any associated sanctions.
- 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 done to bring its house in order following the Alison White Report is predicated on best practices, and many of those changes will remain in place under the new governance model.
- Future entity stakeholder representation will include end customer representation across all convened fora.
- Stakeholder representation will also evolve as additional stakeholders are included in the regulatory ringfence under the LTRF.
- Membership of the future entity will be obligatory for all stakeholders in relation to mandatory standards. Such membership will involve appropriate arrangements to enable data collection, conformance monitoring and funding.

We also recognise the need to detail our assumptions about the future entity as it transitions to its end state:

- The future entity and OBL must fully comply with relevant law and regulation, maintaining high standards of corporate governance throughout transition (ie 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.
- Funding will be available for Order and Non-Order activities during transition, either from the CMA9 (as expected under JROC Response paragraph 3.23) or a wider funding base (which is one suggestion from the Funding Sub-Group).
- The Payment Services Regulations and the E-Money Regulations will be reviewed in line with the published Future Regulatory Framework timeframe (anticipated to be 2025-26).

The principles on which our assumptions have been based are:

- Decisions that can and should be made by the future entity Board, should be left to the Board.
- OBL and the future entity should be clear about the accountability at each point in time during transition and into the final state for the following services and activities:
    - Standards maintenance
    - Technical support services
    - Collection and holding of MI data
    - Budgets for all departments
    - Commercial activities
    - Promotional activities
- Expediency in both the adoption and delivery of the future entity is crucial to minimise the cost, time, and resources required to transition.
- Inertia in decision making is too high an opportunity cost, and the earliest possible JROC decision is essential.

- The transition plan should focus on
  - The ongoing reliability of Standards and infrastructure;
  - Continuous ecosystem stability; and
  - Necessary inter-operability with relevant international developments.

5.4 Summary of Findings

5.4.1. Legal structure of the future entity

The JROC Report anticipates the future entity being a "corporate body". The Sub-Group therefore considered the following options :

- Companies Act company
  - Public limited company
  - Company limited by shares
  - Company limited by guarantee
  - Unlimited company
  - Limited liability partnership
- Community Interest Company
- Mutual organisation
- Co-operative organisation
- Charity
- Public Body

Of these options some can be ruled out. For example JROC has ruled out the future entity being a public body and the future entity's objects are not likely to satisfy the requirements for charitable status.

Having considered the remaining options the Governance Sub-Group regards a company limited by guarantee – similar to OBL and Pay.UK – to be the most suitable legal structure for the future entity. Other structures (eg a community interest company) have similar characteristics and JROC might choose to analyse them in more detail in light of the continuing legal and financial analysis on different organisational structures commissioned by the FCA on behalf of JROC. On the other hand, the Governance Sub-Group does not recommend shareholder- or member-owned structures, as these create accountabilities which might not always align with the core purpose of the future entity.

Once the legal form of the future entity is decided, JROC can turn to the question of the structural relationship between different categories of activity. This is raised in Figure 5 of section 3 of the JROC report, which identifies three options under consideration:

- A parent-subsidiary model – to enable Order and non-Order activities to be separated out (Option 1)
- A single entity model which would require Order and non-Order activities to be ring fenced from one another (Option 2)
- A two-entity model whereby a new entity would be established to progress non-Order activities with OBL continuing to focus on Order activities (Option 3)

The Governance Sub-Group's key consideration when exploring different structures has been the need for a clear separation on governance, accounting and funding between Order (or mandatory) and non-Order (or voluntary) activities and how liabilities are to be treated. Which model best meets these requirements is of necessity subject to the continuing legal and financial analysis work referred to above, but the Governance Sub-Group regards Option 2 (with OBL as the single entity) and Option 3 as the best. The costs and risks associated with achieving this separation through either Option 2 or Option 3 are finely balanced, and we recommend JROC evaluate them both in parallel with the benefit of its own legal advice. However, JROC should ensure our recommended principles of governance apply regardless of the final arrangements.

A full list of the Governance Sub-Group's considerations when exploring different models is as follows:

- The over-arching need for separation between Order and non-Order activities in transition. The costs and budgets for Order-and non-Order activities need to be separately accounted for and the respective accountabilities of Trustee and Board need to be maintained.
- Such separation does not of itself require separate entities, as OBL has successfully ring-fenced Trustee activities within a single organisation by means of structures and reporting lines, and using tools such as time sheets. However, the need for separation might be greater in the future once the future entity is operating without a boundary defined by the Order and with a broader and more complex funding model. The Governance Sub-Group believes that it is likely that a similar separation will be required between activities that are mandatory under the LTRF and those that are not. Structural separation could therefore maximise transparency and accountability for the long term, and avoid duplication of work (eg central corporate functions).
- Alignment with the Governance Sub-Group's recommendation for close adherence to the UK Corporate Governance Code.
- Alignment with the emerging FEWG view that future entity should be able to generate surpluses, without being profit-maximising, to generate and sustain financial sustainability.
- Adaptability to whatever the LTRF brings.
- Scalability during the interim state and beyond.
- Ensuring the Future Entity is capable of being subject to appropriate regulatory oversight
- Ability to form additional subsidiaries for future distinct activities without the additional complexity of "ring-fencing"
- Alignment with the Governance Sub-Group's principles for transition:
    - Speed
    - Simplicity
    - Resilience of both the future entity and the ecosystem
    - Continuing accountability for outcomes
    - Continuing operability of existing infrastructure and Standards

5.4.2. Close adherence to UK Corporate Governance Code

It is a fundamental design principle for the future entity as stated in the JROC Report that the future entity should adhere to the highest standards of corporate governance.

In order to meet this design principle the Governance Sub-Group recommends close adherence to UK best practice as set out in the UK Corporate Governance Code promulgated by the Financial Reporting Council, subject only to minor, necessary divergences to reflect for example the absence of shareholders. This recommendation underpins all of the governance proposals set out in the following sections of this report.

The Governance Sub-Group believes that this approach provides the simplicity and clarity which the future entity's governance arrangements require.

5.4.3. Mission, Purpose and Operational Objectives

The Governance sub-group has agreed that the future entity should have a public interest mission and purpose to serve the whole ecosystem, UK economy and wider public interest as follows:

We [Future Entity] serve the UK economy and society by enabling individuals and businesses to better manage their financial lives through accessing and controlling their own financial data to improve financial health and wellbeing, raise productivity and contribute to sustainable economic growth

We do so by maintaining and developing identifiers, standards and other financial data sharing infrastructure to enable good outcomes for end users through safety, control and value. We will develop and maintain:

- *a sustainable, trusted and secure data sharing and payments ecosystem that protects personal data and guards against financial crime*
- *a scalable approach that furthers innovation and competition in the interests of end users, enabling the development of new products and services*

This closely aligns with a number of the FCA and PSR's own objectives, notably on protecting end user interests and promoting competition and innovation.

On operational objectives, the JROC report provides useful direction by indicating that the future entity should:

- Support development of new, and improve existing, open banking propositions (JROC report paragraph 3.3);
- Promote positive outcomes for consumers (including those with vulnerable characteristics) and businesses (JROC report paragraph 3.10);
- Play a central role in supporting long-term sustainable growth of Open Banking and its future development (JROC report paragraph 3.11); and
- Produce annual business plans setting out how it intends to fulfil its mission and purpose and meet its strategic objectives.

The Governance Sub-Group concluded that JROC's steers are the right operational objectives for the future entity, and recommends the following:

- Support the development of new, and improve existing, open banking propositions to promote competition and innovation within the financial sector
- Promote positive outcomes for end users, both consumers (including those with vulnerable characteristics) and businesses
- Play a central role in supporting the long-term sustainable growth of open banking and future developments

5.4.4. Board

The future entity's Board should apply the Principles and Provisions of the UK Corporate Governance Code, amended to recognise that the future entity will likely not be listed or have shareholders. The Code sets out the responsibilities and accountabilities of a Board and ensures its independence and the transparency of its decisions and processes. It meets JROC's expectation that the future entity will "adhere to high standards of corporate governance".

The future entity and its Board need to be accountable for the delivery of its Mission and Purpose and its operational objectives and (among other things) for the efficient use of resources entrusted to it. The Board should create channels (eg stakeholder panels or working groups) to gather the views of all stakeholders, controls to ensure that inappropriate influence cannot be exerted and that there are no conflicts of interest, and processes to explain how different views have been accounted for in its decisions. A key test of stakeholder arrangements is that, in line with JROC's report, funding contributions do not negatively impact innovation or end user benefit through undue influence. (JROC Report para 3.12 "the potential impact of the proposed funding model on both end user outcomes (including that of consumers and businesses) and certain use cases…must be taken into consideration".).

The Code points to an independent, unitary (ie not representative of specific interests or issues) Board with collective responsibility for delivering the future entity's Mission Purpose and operational objectives. There is a dependency on understanding exactly the respective roles and responsibilities of the Board and the overseeing regulators that it is accountable to, before specific processes (eg appointments, evaluation and removal) can be designed to ensure and sustain independence. The Sub-Group expects, however, that the regulators will have a material role in Board appointments.

Without completely clear roles and responsibilities to drawn on, we encourage JROC to design the Board of the Future Entity with the following principles in mind:

- The criteria used to identify suitable candidates for the Chair should be clear and satisfy the goal of being an independently-led and accountable body. This is likely to mean that the Chair must not have any direct conflicts of interest that could impact their independence.
- All appointments should be by open competition in line with an appropriate model of established and respected practice, eg Public Appointments.
- The Board should appoint a senior independent director, with similar criteria in mind to those for the appointment of its Chair
- The Board should be able to receive appropriate remuneration, established by an independent benchmarking process and regularly reviewed
- The skills, experience and knowledge around the Board table should include essential corporate disciplines (finance, people, customers, operations, risk). Other skills/experience likely to be required include data, technology and innovation policy and financial services, plus expertise in social and environmental impact[4].
- All non-executive directors should have the broader environmental, social and governance impact of open banking and open finance at the heart of their work. This should be evaluated as part of regular Board effectiveness reviews.

We anticipate that the Board will consult on, adopt and publish strategies, budgets and plans for the advancement of its Mission and Purpose and operational objectives, which will include measurable and time-bound components. We further anticipate the Board will publish annual reports and otherwise allow itself to be held to account for delivery against its strategies, budgets and plans. As with appointments to the Board, there is a dependency on understanding the respective roles and responsibilities of the Board and overseeing regulators before firm proposals can be made in relation to these matters[5].

The UK Corporate Governance Code sets out the essential committees a good board should create and makes certain stipulations around membership to ensure division of responsibility and effective oversight. The future entity should adopt these structures, including and especially for audit, risk, nominations and remuneration. The Board should make arrangements for effective internal and external audit. We note that Open Banking Limited has specific arrangements in several areas, reflecting its accountability to the CMA (who are accordingly observers at its Board and non-voting

4 Some Sub Group members felt that some issues, notably the social and environmental impacts of open banking and open finance, are so important that specific Directors should be responsible for them.

5 The key question here is who will set the future entity's budget. If it is the regulators, they can ensure that the entity remains 'lean'. If it is the Board itself, that incentive could be created by consultation with the ecosystem and public reporting of outturn against budget.

members of the Finance, Audit and Risk Committee (FARC) and its funding by the so-called "CMA9" banks (who are accordingly non-voting members of the FARC). Such arrangements, when aligned with overall accountabilities, can enrich the work of committees and advice to the Board. However any such arrangements must not undermine the principle that funding contributions do not allow inappropriate influence to be exerted and do not negatively impact innovation or end user benefit.

In line with JROC's thinking, stakeholder representation within the governance of the future entity is critical. JROC makes it clear that end user representation is particularly important. The Sub Group's thinking on stakeholder representation is covered in section 5.4.9 below.

5.4.5. Executive

The executive committee (ExCo) of the future entity is responsible for overseeing the operations of the future entity under authorities delegated by the Board.

ExCo is responsible for monitoring the performance of the Future Entity, including its financial performance, against a scorecard/measures approved by the Board.

The chief executive officer (CEO) will not also be the Chair and will be appointed by the Board in accordance with an open and transparent process and ExCo members will be appointed by the Board on the advice of the CEO.

The CEO, Chair, and Trustee (while the CMA Order is still in place) will be three distinctly separate roles, fulfilled by three separate people.

5.4.6. Standards

JROC has made it clear that designing, implementing, maintaining and amending standards will be a core capability of the future entity.

The Governance Sub-Group considered Standards governance within the FE and how this would need to evolve to achieve a balanced governance environment that achieved the needs of the regulators, future entity and stakeholders. It was acknowledged that the current approach to the management of Standards governance for open banking would need to change within the future entity to bring greater oversight and direction at the Board level and increase engagement with all external stakeholders, end users and stakeholders through a new Standards Authority.

The Governance Sub-Group identified four key governance functions that would comprise the Standards governance framework within the future entity. Specific roles and responsibilities will require further development for each. The initial thoughts of the Governance Sub-Group in relation to each of these four functions are set out below:

i. Board

The Board of the future entity will play a pivotal role in the governance arrangements in respect of reviewing the drivers for changes to Standards or new requirements and determine the appetite for progression with the support and guidance of the Policy and Standards and other appropriate subject matter experts within the future entity. In addition, they will provide direction should deadlock situations arise. A direct channel to the regulator could be required depending on the details of the LTRF.

ii. Standards Authority

The Standards Authority will undertake the coordination of reviewing requests and the steps required for approval and progression. This includes the delegation to sub working groups. Membership is expected to represent the views of the future entity, external stakeholders, end users, technical subject matter experts and industry body representatives with the recommendation that the Standards Authority is chaired by a member of the Board of the future entity. Fair representation at the Standards Authority and its sub groups is important for ASPSPs, TPPs of different kinds, end users and other parts of the ecosystem.

The Standards Authority is expected to be focused upon the following items, however these could evolve over time to reflect the new or ongoing responsibilities of the future entity;

- FAPI Security Standards
- Data Sharing APIs
- Payment initiation APIs
- Operational Guidelines (OGs) and Customer Experience Guidelines (CEGs)
- API Standards and specifications
- Commercial Changes (based upon materiality)

iii. Regulator

For Order-related activities the CMA will continue to play an active role and provide oversight during transition until they review the CMA Order and decide if it should be amended or revoked to make way for the LRTF. If/when the Order is revoked then we expect the FCA and/or PSR to perform this role across both Order and non-Order activities. The regulator is expected to review, advise and provide direction upon requests received from the Standards` Authority alongside deadlock resolution of regulatory matters[6].

iv. FE Policy & Standards Team

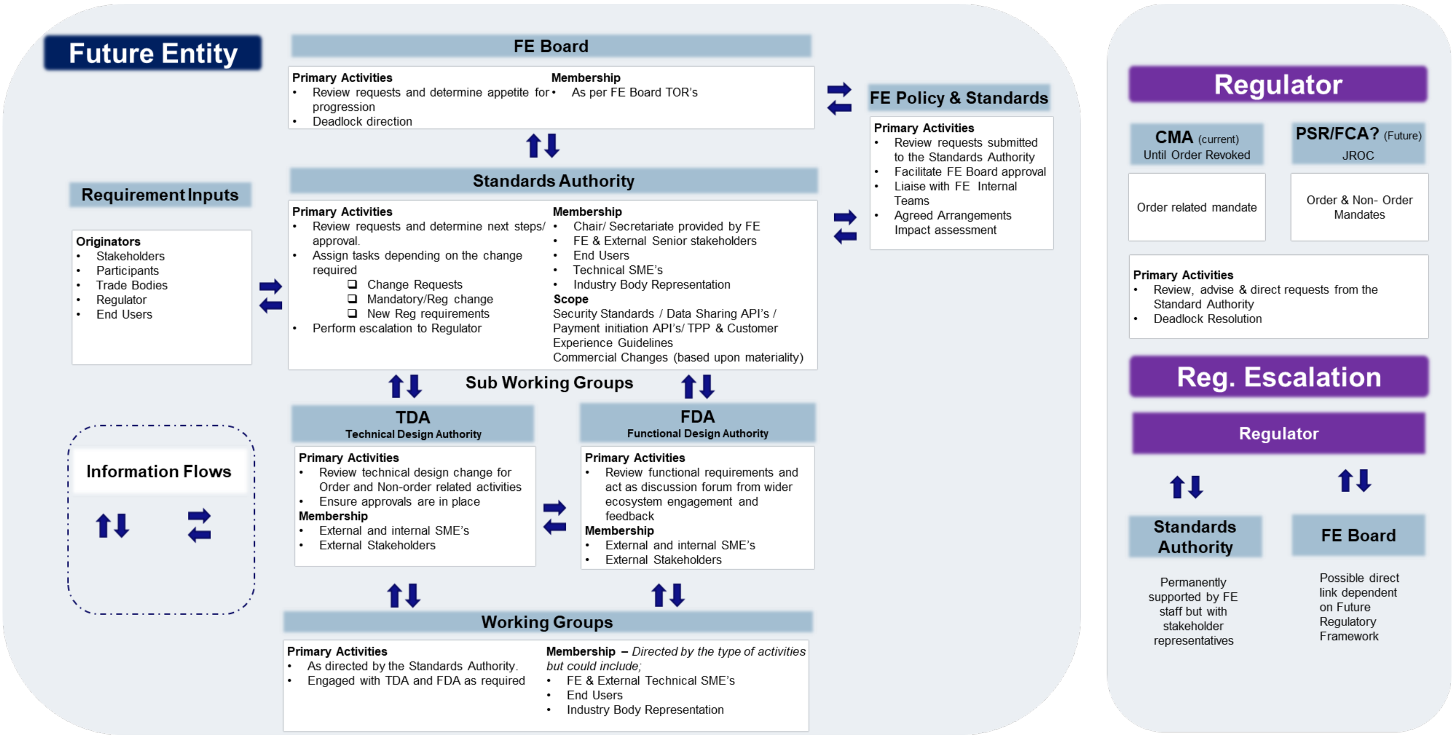
The Policy & Standards team are a business line within the current OBL and will have a successor in the future entity. They will perform reviews of requests submitted to the Standards Authority and facilitate future entity Board approval, liaise with future entity internal teams (e.g. Legal) and consider potential impacts to the Agreed Arrangements.

Recommendation

The Governance Sub-Group reached broad consensus that the Standards governance process set out below (fig 1.0) would provide a suitable framework for the future entity to adopt. Detailed activities and membership for the Standards Authority and the sub working groups will need to be agreed and documented within the terms of reference for each.

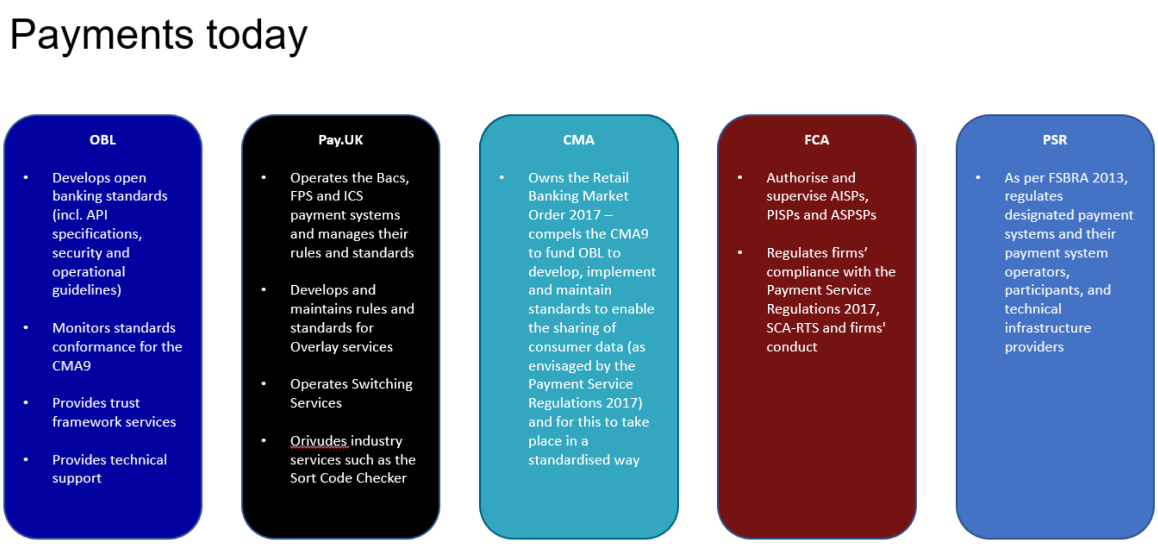
6 It is a long-standing concern of end user representatives that the Information Commissioner's Office has not been active in OBL work on data-sharing standards and related issues. Nor are they a member of JROC. End User representatives on the Governance Sub Group believe that the ICO remains a critical stakeholder and the escalation to regulators should include routes to the ICO. These could be via PSR/FCA.

Fig 1.0 FE Standards Governance Process



5.4.7. Payments functions

The Governance of Open Banking payments includes activities carried out by more than 1 entity:



In future, it seems clear that oversight and development of Open Banking payments will remain split between different entities. Indeed the landscape could become increasingly complex:

- JROC could decide that the future entity will not create all API standards for Open Banking Payments (eg the future entity could maintain and update current mandatory standards and develop new mandatory standards, with voluntary and premium APIs designed elsewhere
- Other rules for the governance of Open Banking payments – eg relating to access, functionality, dispute resolution and pricing could evolve into payment schemes (akin to the schemes covering cards and direct debits and/or bi- or multi-lateral agreements between stakeholders .

The Governance Sub-Group discussed how different aspects of governance could best be co-ordinated in the interests of the ecosystem, the UK economy and the wider public interest (per the Mission and Purpose we propose for the future entity).

It is clear that extremely close co-ordination will be required, which might include governance structures and tools such as

- Inter-agency contracts
- Memoranda of understanding
- A master agreement

And certain practical components, such as

- Cross membership of the future entity's Standards Authority, TDA and FDA when payments are discussed, and reciprocal future entity membership of other entity's equivalent arrangements
- A new change control process

It is likely that such processes, agreements and organisational solutions are likely to be necessary, but given the potential scale and complexity of inter-linking numerous organisations, we also considered other solutions:

- A new over-arching implementation body for all aspects of open banking payments
- Regulation

Key considerations were:

- Complexity, cost and the ease/difficulty of decision-making;
- Clarity of accountability;
- The different incentives and drivers of different entities with governance responsibilities. Our recommendation is that the future entity should be non-profit-maximising and guided by a Mission and Purpose to serve the whole ecosystem, the UK economy and the wider public interest; not all entities would be aligned with this approach; and
- The fact that while payments are the example of immediate concern to many commercial interests in the ecosystem, similar issues could give rise to atomisation on data-sharing standards[7], which could have far-reaching implications for open finance and the smart data economy.

The resolution of misaligned incentives in the public interest and setting criteria for who is allowed to undertake certain activities are both intrinsically regulatory functions. The Governance Sub-Group therefore concluded that it should be a design feature of the LRTF to empower and require regulators to ensure that all governance of open banking and open finance be aligned with overarching principles along the lines we propose for the Mission and Purpose and operational objectives of the future entity. This might involve

- Allocating responsibility to organisations and overseeing their strategies and operations against these principles;
- Setting guidelines or rules on the minimum requirements for multi-lateral and bi-lateral agreements between ecosystem stakeholders;
- Ensuring adequate stakeholder involvement, including end-users;
- Considerations of inter-operability, including between open source and commercial standards;
- Intersections with existing regulatory oversight of firms and industry partnerships
- Cost and complexity of oversight; and
- Rights to enter into private contracts

7 Eg the development of premium, voluntary and non-universal data-sharing standards

It is likely that provisions in the Smart Data legislation (primary and secondary), changes to regulatory powers (eg ability to write rules) and review of relevant onshored EU legislation will all be required to configure the governance of open finance according to these proposals.

In transition JROC will have to exercise oversight in relation to non-Order activities within the current powers of its member regulators. That this might slow progress and/or lead to sub-optimal short term arrangements merely adds to the case for the earliest possible clarity on the LTRF.

5.4.8. Other functions

The future entity is expected to perform several other functional activities requiring governance oversight to ensure operational and business risks are effectively managed. The Governance Sub-Group considered how effectively these are currently managed by OBL and the suitability during transition into the future entity end state. The consensus reached was that minimal change is required for these functions during transition with further changes subject to the LTRF being adopted.

Taking each other function in turn:

Commercial activities (end state)

Where JROC decides that there should be a single future entity covering mandatory and voluntary activities, or where these are carried out by a parent company and a subsidiary, it is expected that the future entity Board will perform suitable due diligence over the opportunity. This includes, but is not limited to, alignment with the Mission and Purpose, operational objectives, strategic intent and risk appetite of the future entity, availability of funding and the adequate protection of existing (especially core/mandatory) services.

Where voluntary activities are carries out by a separate entity, that entity will need to be overseen by regulators under the LTRF to ensure it follows an equivalent approach and commercial activities do not impact negatively on mandatory Standards or the overall coherence and inter-operability of the ecosystem.

Reasonable Promotion (transition and end state)

During transition, and in accordance with the Order, reasonable promotional activity will continue. If/when the Order is revoked it is expected that a level of promotional activities will still be required of the future entity. The current reporting process for monitoring governance through a corporate scorecard to the future entity Board is expected to remain, although the promotional activities themselves could be subject to change within the future entity end state.

Order Conformance Monitoring (transition and end state)

During the transition phase, and until the Order is revoked, the monitoring of CMA9 conformance will continue by OBL/the future entity as per the current operating processes through the future entity Board and the CMA. It is expected that there will continue to be a monitoring requirement post revocation of the CMA Order as set out in the JROC Report. How this will be structured is dependent on the LRTF that is adopted.

Open Banking Ecosystem MI collecting and reporting (transition and end state)

As with Order conformance, and as set out in the JROC Report, there is an expectation that the collection of MI and reporting will remain a requirement during transition and the future entity end state. Specific data collation, reporting and any future regulatory compliance requirements will be determined by the regulator in conjunction with the future entity Board.

The Order monitoring activities will continue until such time as the Order is revoked. JROC will need to consider how monitoring will continue as part of the LRTF. Monitoring might include elements mandated by regulation, and include relevant reporting to regulators. And it might include other monitoring in relation to terms of FE membership conditions. Monitoring by the FE might need to be co-ordinated across multiple potential entities with governance roles in the voluntary standards space.

Service Desk & Participant Support (transition and end state)

There is a requirement for ongoing support provided via the Service Desk and Participant Support functions, not only keep the ecosystem operational, but also to perform regular maintenance on behalf of stakeholders in the Sandbox and Production Directories (both during transition and for the end state as set out in the JROC Report). As part of transition, the opportunity to review the design of both the Service Desk and Participant Support should be considered, particularly for those activities that should be mandated.

The Service Desk function not only provides support for traditional helpdesk & customer communications, but plays a critical role in the operational running and ongoing provision of the Registration Authority (RA). Entities are enrolled, maintained and proactively & regularly monitored to ensure their continued compliance to operate within the ecosystem.

The Participant Support team offers dedicated support to TPPs and ASPSPs on queries related to Standards/CEGs/Directory/MI, ASPSPs breaking changes and issues with an ASPSP's implementation. It coordinates ecosystem-wide initiatives, e.g. FAPI, regulatory change, VRP for sweeping Managed Roll Out and TRIs pilot. It also helps TPPs avoid losing Directory access and acts as a ticket escalation route with ASPSPs. These activities help TPPs maintain their Open Banking propositions and prevent ecosystem disruption.

Performance monitoring of operational key performance indicators both during transition and future entity end state will continue both externally (Open Banking Participant Forum) and internally (operational governance working groups/committees). Reporting through the corporate scorecard to the future entity Board could be considered for those key performance indicators that reflect higher levels of operational risk.

The Trust Framework

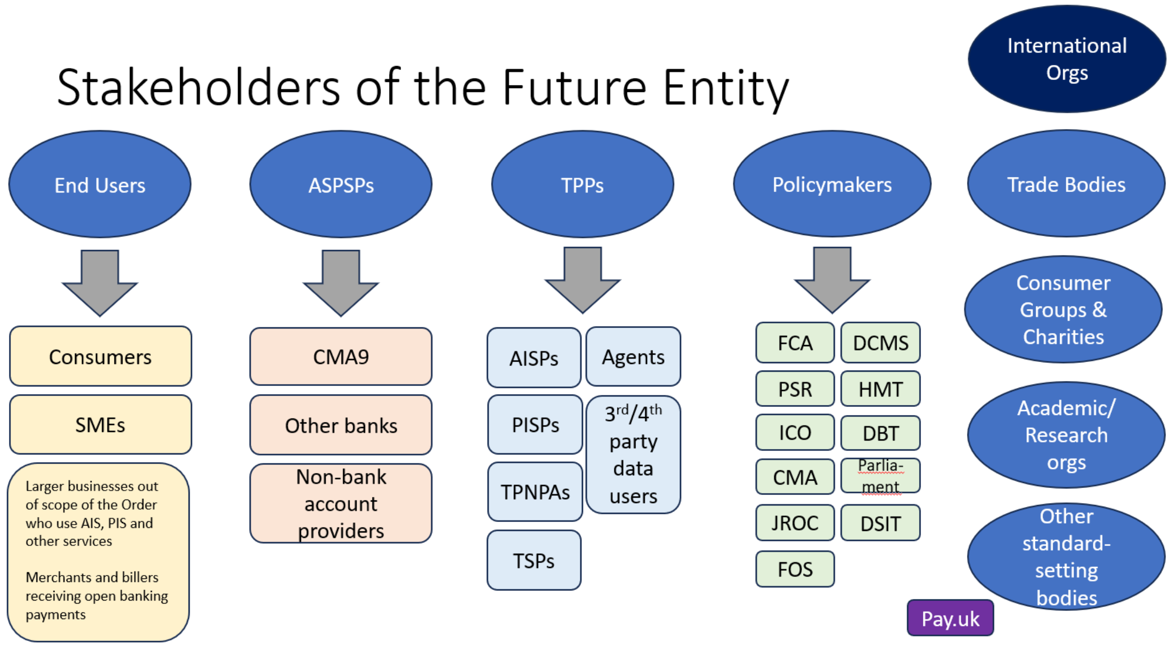
The Capabilities sub-group has recommended that Trust services migrate to the Future Entity, but that the entity promptly test whether costs can be reduced and in due course assess whether an outsourced or de-centralised model be adopted (see recommendations in 1.3.1). Wherever there is a decision to decentralise particular functions, for example leaving trust services to the market, there will need to be governance principles that ensure coherence and harmonisation in the delivery of such services. These would need to be recognised in any outsourcing/procurement process, and should be aligned with the principles the Governance Sub-Group has put forward for other aspects of FE and ecosystem governance.

5.4.9. Stakeholders and their engagement

JROC and the CMA before it, have stressed the importance, in the context of the future entity, of appropriate stakeholder involvement. In particular both the CMA and JROC have emphasised the need for end user involvement.

In its Recommendations for the next phase of open banking in the UK, JROC goes as far as to say that the future entity should ensure that "the needs of end users (i.e. consumers and businesses) are represented in its decision making". Accordingly, at the very least, end users must be formally involved in the governance of the future entity.

The Governance Sub-Group has identified the future entity's stakeholders as follows:



In considering how the various categories of stakeholders might be appropriately involved in the governance of the future entity the Governance Sub-Group has considered a number of models including:

- The Steering Group of the Open Banking Implementation Entity (OBIESG)
- The FCA's statutory Practitioner, Markets and Consumer Panels
- The PSR's Panel
- Pay.UK Industry and End User Advisory Councils

The Governance Sub-Group agreed that there were considerable merits in having a body which brings together all categories of stakeholder. In particular there was support for a body similar to the OBIESG, which facilitates both formal and informal involvement of all stakeholders.

A Stakeholder "Deep Dive" was carried out to consider how the various categories of stakeholder might best we involved in the future entity. The following conclusions were reached:

- in terms of technical stakeholder involvement, OBL's current arrangements for expert advisory groups etc., involving most categories of stakeholder, work reasonably well; and
- in terms of formal, strategic involvement, the relevant regulators set the strategy of the future entity so that the role of stakeholders here is less clear, subject of course to the need for end user involvement referred to above.

Based on the above the Governance Sub-Group is proposing the following in terms of stakeholder involvement:

- technical stakeholder involvement should continue very much along the lines of existing OBL arrangements, although the composition of key committees and groups, such as the new Standards Authority and its sub groups will need membership that more equally reflects the composition of the ecosystem than the current equivalents within OBL;
- a formal end user committee should be established under the chairmanship of a non-executive member of the future entity's board and the board of the future entity should be required to have regard to the advice of this end user committee and to report publicly how it has done so; and
- an informal stakeholder advisory group should be established along similar lines to the OBIESG.

The Governance Sub-Group has not agreed on the scope of the advice of any formal advisory Panels. Advice on risks and ecosystem impacts had support, but some members are concerned that advice on strategy and the advancement of mission and objectives should be directed to overseeing regulators rather than the FE Board. Given the ambiguity of the respective roles and responsibilities of regulators and FE under the LTRF, the Governance Sub-Group cannot make a specific recommendation in this matter.

5.4.10. Transition and Implementation

Section 5.3 above sets out the principles which the Governance Sub-Group agreed should apply to the design and execution of the transition from OBL to the future entity. We were also mindful that OBL has done very extensive and detailed work on transition planning, which we have been able to include in our thinking. We have also been made aware of and have considered work done by the CMA9 on the transition of open banking to a future entity.

We set out below a very high-level "play book" against which transition can be planned. We are satisfied that these steps are feasible and also serve as a "checklist" for those in charge of transition.

One important rider to this work is that the success of transition – and fulfilment of our principle that transition must safeguard the resilience of the legacy entity, the future entity and the ecosystem – will require careful planning of communications and management of risks to reputation and key resources. Put another way, even a transition that is technically excellent can, unless it handles people, organisations and relationships well, result in a loss of goodwill, reputation and key skills, experience and capabilities which will set the ecosystem back.

The core steps in transition could look like this:

1. Incorporate the FE and appoint a Board
2. Create essential corporate infrastructure (eg bank accounts, insurance, and other transactional infrastructure)
3. A phased and sequenced transition of personnel, contracts and other assets to the FE, covering central corporate functions (HR, Finance, Procurement and Supplier Management, Risk, IT, Legal, Communications) and "product functions" (Standards, Conformance, Monitoring, Trust Services, Ecosystem Promotion, etc). Likely to involve one or more "asset purchase agreements"
4. Dissolve OBL once asset and liability transfer are complete

The exact migration of each product function ("capability") will depend on:

- The timing of the necessary regulatory consents and approvals (notably from CMA)
- JROC's decisions about the capabilities that the future entity will take on (which will set the 'perimeter' of any transfers of people and other assets)
- JROC's decision on the issue of one or two entities or a parent/subsidiary arrangement

Which in turn depends to an extent on the detail of the LTRF and the legal advice FCA has commissioned.

The Boards of OBL and the future entity will need advice on tax, accounting and contractual matters (including employment/TUPE). The Boards will also need to satisfy themselves at the time that the transfers are beneficial to the respective entities.

The Governance Sub-Group discussed and satisfied itself that this kind of approach is consistent with:

- any JROC decision on corporate structure to achieve the required separation of Order and non-Order work; and
- a range of approaches to the relationship between the Open Banking Trustee and the Boards of OBL and the future entity. We do not recommend that the Trustee become a member of the FE Board.

On the information we have examined, an important benefit of the above approach could be to allow the separation of Order and non-Order activities from the start of transition, allowing non-Order activities to begin migrating towards the funding model proposed be the funding sub-group. But there is an alternative approach, which might reduce costs and avoid risks associated with the transfer of assets and liabilities between entities. This would be to change the governance, structure and funding of OBL itself. This would require an internal ring-fence separating Order and non-Order work, along the lines which OBL maintains now. Either way, the sub-group is persuaded that the CMA9 should have "step in" rights in the event of failure to fulfil any ongoing obligations under the CMA Order – providing protection to the mandated institutions and end-users in respect of OB Remedy outcomes.

5.5 Recommendations

1. The future entity should be a corporate body without shareholder or member owners. Alongside financial and other considerations this suggests a company limited by guarantee, or similar legal form.
2. Governance of the future entity should adhere closely to the UK Corporate Governance Code. This Code was drawn up with shareholder-owned corporations in mind, so minor divergences might be required.
3. The future entity should have a Mission and Purpose that ensure it serves the whole open banking ecosystem, the UK economy and the wider public interest.
4. The future entity's operational objectives should be along the lines set out by JROC as noted in section 5.4.3 above.
5. The Board of the future entity should be
    a. independent and 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;
    b. responsible for outcome-based KPIs; and
    c. expected to establish appropriate Board committees with appropriate separation of responsibilities.
6. We have shown how transition could be achieved by the incorporation of a "NewCo" and the creation of its Board and governance, followed by the transfer of assets, treatment of liabilities and the migration of functions from OBL, and the eventual dissolution of OBL itself. We have also identified important potential costs and risks associated with this approach, notably tax risks. We therefore recommend that JROC compare this approach with the costs, benefits and risks of maintaining and amending the existing OBL entity in the light of JROC's own legal and financial advice.
7. Data collation, monitoring and reporting activities, including any future regulatory compliance requirements, should be determined by the regulator in conjunction with the future entity board. The Order monitoring activities will continue until such time as the Order is revoked. JROC will need to consider how monitoring will continue as part of the LTRF.

8. In relation to the question of one entity, two entities or a parent-subsidiary model, the key consideration is that there is a clear separation on governance, accounting and funding between Order and non-Order activities. Costs and risks associated with achieving this through internal ringfencing or a separate entity are finely balanced, and we recommend JROC evaluate them in detail in light of its own legal advice. However, the future entity should ensure the overall principles of governance apply regardless of the final arrangement. The future entity should structure the governance of its core function as a standard-setter around a new Standards Authority and a Technical Design Authority each operating with stakeholder input, including end user representation and under the auspices of the Board and the overseeing regulators.

9. The debate about governance of open banking payments is one example of how quickly the governance of open finance and the wider smart data economy can become unwieldy. Coherent and effective governance of this wider landscape should be an accountability of overseeing regulators under the LTRF, and this should be enabled through the powers and duties that regulators are given under the DPDI Bill, and through further consequential regulatory changes.

    a. These recommendations need to be read in the context that other ecosystem stakeholders, not least the four government departments and five regulators which sit on the Smart Data Council, are setting the direction for the UK on the opening of data beyond banking. As such, consultation and alignment with these other data sharing ecosystem decision makers is crucial, given the potential impact on the future scope and activities of the future entity in the medium to long term, and the cost to the ecosystem if what's built in the short term has to be dismantled and rebuilt.

    b. The Governance Sub-Group did not consider in detail the governance of premium data-sharing standards, the development of pension dashboards, or the work of the Smart Data Council. However, we note these may be important considerations for Open Banking's evolution over a longer time horizon.

10. Stakeholder representation in the work of the Future Entity should comprise formal, strategic and technical input. Arrangements should be made for end user representation separate from industry/participant representation, and ecosystem and end user risks should be a key topic for stakeholder input.

11. Transition can and should be managed according to established legal and business practice. Details will depend on other JROC decisions, but we caution that a "big bang" is unnecessary and risky. Transition should have regard specifically to managing and sustaining the reputations of both entities and the ecosystem with key stakeholders, including employees and contractors.

These recommendations should be read in the context that other ecosystem stakeholders, not least the four government departments and five regulators which are members of the Smart Data Council, are setting the direction for the UK on the opening up of data beyond banking. Accordingly consultation and alignment with these other data sharing ecosystem decision makers is crucial, given the potential impact on the future scope and activities of the future entity in the medium to long term and the cost to the ecosystem if what is built in the short term has to be dismantled and rebuilt.

Appendix 1

FEWG Terms of Reference[8]

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 https://www.fca.org.uk/publication/corporate/design-future-entity-working-group-terms-of-reference-june-2023.pdf

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 OBL 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.

Appendix 2: Glossary

Term	Description
AIS	Account Information Service. An online service providing information on a user's payment account.
AISP	Account Information Service Providers. An intermediary financial institution that can access or share a user's financial data with their consent.
AML	Anti-Money Laundering
API	Automated Programming Interface
ASPSP	Account Servicing Payment Service Providers are financial institutions that offer a payment account with online access. This includes banks and building societies
BAU	Business As Usual
CAB	Change Advisory Board.
CMA9	CMA9 The nine largest banks and building societies in Great Britain and Northern Ireland, based on the volume of personal and business current accounts. They comprise AIB Group (UK) plc trading as First Trust Bank in Northern Ireland, Bank of Ireland (UK) plc, Barclays Bank plc, HSBC Group, Lloyds Banking Group plc, Nationwide Building Society, Northern Bank Limited, trading as Danske Bank, The Royal Bank of Scotland Group plc, Santander UK plc (in Great Britain and Northern Ireland)
CS	Core Services of the Future Entity
CS1	A Core Service of the Future Entity as defined in the JROC Report: "Developing new Standards and updating/enhancing existing ones – Mandated and applied to all"
CS2	A Core Service of the Future Entity as defined in the JROC Report: "Developing new Standards and updating/enhancing existing ones – Specific Change requests from a sub-set of the members"
CS3	A Core Service of the Future Entity as defined in the JROC Report: "Developing policy guidance where applicable"
CS4	A Core Service of the Future Entity as defined in the JROC Report: "Monitoring conformance and implementation"
CS5	A Core Service of the Future Entity as defined in the JROC Report: "Supporting innovation and competition"
CS6	A Core Service of the Future Entity as defined in the JROC Report: "Convening and facilitating ecosystem collaboration, where needed"
DPDI	Data Protection and Digital Information
EEA	European Economic Area
FE	Future Entity
FMW	Funding Model Worksheet – a component of the survey used to solicit feedback from the members of the Future Entity Working Group. This worksheet captured respondents' views on how all services should be funded for both (1) the Future State when the CMA Order has been revoked, and (2) Transition, when the CMA Order is still in place

Term	Description
LOA2	Level Of Assurance
LTRF	Long-term regulatory framework. The LTRF will set out the roles of the Treasury, FCA and PSR in providing oversight across the open banking ecosystem
NPS	National Payment Systems
OBIE	Open Banking Implementation Entity
OB/F	Open Banking / Finance
OBL	Open Banking Limited
OPV2	TBC
PAYG	Pay as you go
PIS	Payment Initiation Service. This is a payment option which enables consumers to pay for goods and services directly from their bank account without leaving a merchant's website.
PISP	Payment Initiative Service Provider. An authorized third-party service provider enabling direct payment transfers from a consumer to a merchant's account via a secure API.
PSD2	Payment Services Directive (2)
SID	Senior Independent Director
SME	Small and medium sized enterprises or businesses
SS	Support Services of the Future Entity
SS1	A Support Service of the Future Entity as defined in the JROC Report: "Directory services – certificates or alternates"
SS2	A Support Service of the Future Entity as defined in the JROC Report: "Directory services – permissions"
SS3	A Support Service of the Future Entity as defined in the JROC Report: "Further Implementation support – Maintenance and Participant support"
SS4	A Support Service of the Future Entity as defined in the JROC Report: "Advice to other sectors and countries"
SS5	A Support Service of the Future Entity as defined in the JROC Report: "Promotion of the ecosystem"
SS6	A Support Service of the Future Entity included by the Funding Subgroup: "Specific projects/development work"
SSA	Software Statement Assertations
Start-ups	A Start-up could be defined as companies in their first 18-24 months of trading and/or have a volume (of API calls or customers) threshold and/or a revenue threshold of entire company (including any parent). Specifically, this would not apply to new propositions or subsidiaries set up by existing established organisations.
TPP	Third-party providers are providers of account information services (AISPs) or providers of payment initiation services (PISPs). An AISP offers online services that provide consolidated information to a payment service user on one or more payment accounts held by that payment service user with payment service providers. A PISP offers online services that initiate payment orders at the request

Term	Description
	of a payment service user from a payment account held at a payment service provider. This is done with the user’s consent and authentication
TPNPA	Third Party Not Providing AIS. TPNPAs partner with a licensed AISP in order to deliver a service reliant upon account information data, however the TPNPA does not provide consolidated account information back to the customer
TUPE	Transfer of Undertaking Protection of Employment. A law to protect employees when their business is transferred to a new owner.
USC	Universal Service Charge
VRP	Variable Recurring Payments. A payment instruction allowing consumers to set up automatic recurring payments that can vary in amount. This differs from direct debits, which are instructions for recurring payments of the same amount each payment period.

Appendix 3: Design principles for the Future Entity

Design principles for capabilities

Open Banking has significant transformative potential for the wider UK economy as it continues to develop in the future. There may be wider potential benefits in applying open banking beyond retail banking, including driving competition in payments and the broader financial sector through open finance

We recognise a strong preference from stakeholders that the future entity should assume the role of a central standard-setting body. We expect the future entity to play a central role in the ecosystem, including to:

- Support the development of new, and improve existing, open banking propositions to promote competition and innovation within the financial sector
- Improve existing and develop new standards and guidelines for all ASPSPs and TPPs to implement new products and services and to ensure consistent user experiences and interoperability across use cases and the ecosystem
- Gather and analyse data on ecosystem performance on an ongoing basis
- Provide and maintain critical services and technical infrastructure (such as conformance tools and a service helpdesk) to ensure industry conformance with standards and guidelines
- Convene and facilitate ecosystem discussions with a wide range of stakeholders where appropriate, and act as a facilitator in circumstances where collaboration amongst ecosystem stakeholders is required (for example, supporting the development of multilateral agreements for new services, facilitating data collection and sharing, understanding instances of financial crime in open banking payments, etc.)
- Possibly develop and update rules beyond technical standards and guidance in relation to commercial APIs
- Monitor market developments and ensure compatibility with the activities of other key actors, including the impact of the New Payments Architecture, Faster Payments rules, authorised push payment (APP) fraud initiatives, the FCA's consumer duty, smart data legislation and open finance, and align with relevant changes to ensure open banking can continue to grow and scale

The future entity must adopt a model that is scalable and able to:

- retain the key aspects of open banking payments and data sharing in one place, including common technical standards and market practice standards and any appropriate technical infrastructure for both
- Adapt to and support potential future developments beyond open banking, e.g., open finance and smart d initiatives
- boost the market with increased products and reliable quality of services that are trusted and valued by consumers and businesses
- develop and update rules beyond technical standards and guidance in relation to commercial APIs that extend beyond the current scope of data sharing
- promote participation and interoperability across use cases and sectors

- The future entity must not infringe on or limit the relevant interbank payment system operator's ability to own and administer the rules and obligations of their payment system or on the stakeholders within this system.
- The future entity must have the ability to require appropriate technical standards of PSPs to provide fair access and manage risk.

Design principles on funding

- The future entity must be established as a corporate body
- The future entity must not be funded through taxation or a regulated industry levy
- It should have a economically sustainable, broad based funding model that allows for ecosystem growth and resources future entity appropriately for its objectives. The commercial model should be economically sustainable to create long-term viable market conditions
- The future entity will be supported by a wide membership base, extended to cover all ASPSPs, and underpinned by broad-based and proportionate funding and liability arrangements.
- The future entity should be able to obtain commercial revenues generated from provision of services to other parties (e.g., non-ASPSPs and non-TPPs); for example, one way this may be achieved is through competitive tenders for products and services
- We expect the future entity to be capable of developing capital reserve and financial sustainability in its future operation
- In the future state, the future entity will have to ensure its funding model complies with principles and requirements that will be set out in the long-term regulatory framework. It is expected that these principles will be consistent with those set out above.

Design principles on Governance

- The future entity must adhere to high standards of corporate governance, develop financial sustainability, and deliver against actions set out by JROC
- The governance arrangements must reflect the purpose and objectives of the entity, which include playing a central role in supporting the long-term sustainable growth of open banking and future developments
- The future entity must be led by an independent board and underpinned by a set of values and cultures that include an emphasis on integrity, transparency, and promoting ethical behaviour. The board must:
  - Be balanced, competent and diverse which adheres to good governance principles
  - Assume the responsibility for setting out easily identifiable and measurable outcomes for open banking which highlight the importance of data security and reliability and advance the interests of consumers and SMEs, the entire ecosystem, other financial firms subject to the PSRs 2017 and non-retail banking financial firms
  - Effectively identify, assess and manage risks, including potential downstream risks to consumers and businesses
  - Ensure that the governance structure reflects effective and adequate representation of the interests of relevant industry and end user stakeholders, including consumers and businesses, throughout its decision making, from governance to delivery
- The future entity will be subject to regulatory oversight but will retain operational independence in its day-to-day work and not give decision-making power to regulators
- The future entity must have a separate Chair and CEO, with the Chair responsible for leading the Board and the CEO responsible for ensuring the future entity delivers the strategy
- The future entity must have an appropriate committee structure, including audit, risk, nomination and remuneration committees, and maintain an effective HR function

- In the future state, the future entity must comply with governance principles that will be set out under the long-term regulatory framework, which will be similar to the requirements above
- In the future state, the independent leadership of the future entity will be accountable to the relevant regulators in accordance with the long-term regulatory framework (including relevant Smart Data scheme).

Appendix 4: Group membership

Future Entity Working Group

Chair

Jane Moore	FCA

Members:

Robert Levy	Barclays
Jason Turner	Barclays
Hannah Regan	BRC
Kat Cloud	Envestnet Yodlee
Ghela Boskovich	FDATA
Colm Lyon	Fire
Tom Burton	Go Cardless
Hetal Popat	HSBC
Mark Chidley	Consumer Rep
Francis McGee	Consumer Rep
Adam Jackson	Innovate Finance
Brendan Jones	Konsentus
James Guy	Lloyds
Matt Cox	Nationwide
Henk Van Hulle	Open Banking Limited
Resham Kotecha	Open Data Institute
Josh D'Addario	Open Data Institute
Nilixa Devlukia	Open Finance Assoc
John Mowat	Pay.UK
David Parker	Payment Association
Chris Jones	Payment Association
Adam Gagen	Revolut
Robert White	Santander
Jan Van Vonno	Tink / ETPPA
Phillip Mind	UK Finance
Jana Mackintosh	UK Finance

Observers:

Natalie Dowey	CMA
Gavin Thompson	CMA
Natalie Zorzella	FCA
Teresa Lam	FCA
Maya Groves	FCA
Tony Daughton	FCA
Sue Rossiter	FCA
Jack Irvin	FCA
Cerys Minty	FCA
Cameron Longley	FCA
Joseph Butler	FCA
Patrick Keenan	HMT
Lucy Rosen	HMT
Megan Lehair	HMT
Victoria Wallace	HMT
Kate Fitzgerald	PSR
Ciaran Gill	PSR
Gaudenz Probst	PSR

Capabilities subgroup

Leader

Adam Gagen	Revolut

Members

Hannah Regan	BRC
Ghela Boskovich	FDATA
Colm Lyon	Fire
Hetal Popat	HSBC
Adam Jackson	Innovate Finance
Brendan Jones	Konsentus
Louise Beaumont	Mastercard
Stephen Wright	NatWest
Nisha Rajasingham	NatWest
Heather Xiao	Open Banking Ltd
Richard Koch	Open Banking Ltd
Resham Kotecha	Open Data Institute
Nixila Devlukia	Open Finance Assoc
John Mowat	PayUK
David Beardmore	Raidiam
Robert White	Santander
David Parker	The Payments Assoc
Teresa Connors	The Payments Assoc
Jan Van Vonno	Tink / ETPPA
Philip Mind	UKF

Observers:

Teresa Lam	FCA
Sue Rossiter	FCA
Cameron Longley	FCA
Ciaran Gill	PSR
Gaudenz Probst	PSR

Funding subgroup

Co-leaders

James Guy	Lloyds (Co-leader)
Kat Cloud	Envestnet Yodlee (Co-leader)
Ghela Boskovich	Fdata (Co-leader)

Members

Chris Jones	Nationwide
Fliss Berridge	Ordo
Gary Lowe	OBL
Gaudenz Probst	PSR
Jason Turner	Barclays
Jon Roughley	Experian
Louise Beaumont	Mastercard
Matt Cox	Nationwide
Nisha Rajasingham	NatWest
Nilixa Devlukia	Open Finance Assoc
Owen Heely	TransUnion
Rob Driver	UK Finance
Robert Levy	Barclays
Rory Tanner	Revolut
Simon Newstead	Mastercard

Observers

Sue Rossiter	FCA
Cerys Minty	FCA
Tony Daughton	FCA
Zeynep Smith	FCA
Ciaran Gill	PSR

Governance Subgroup

Co-leaders

Francis McGee	Independent Consumer Rep (Co-Lead)
Mark Chidley	Independent Consumer Rep (Co-Lead)

Members

Adam Jackson	Innovate Finance
Fliss Berridge	Ordo
Nilixa Devlukia	Open Finance Assoc
Ghela Boskovich	FDATA
Luke Kosky	Startup Coalition
Lynsey Rodger	NatWest
Mark Bishop	OBL
Nisha Rajasingham	NatWest
Rob Driver	UKF
Russell Hazell	OBL

Observers:

Sue Rossiter	FCA
Joseph Butler	FCA
Ciaran Gill	PSR
Gaudenz Probst	PSR

Appendix 5: International Comparison

Brazil

Brazil Central Bank is the regulatory body for open finance in Brazil. Importantly, the BCB does not vote but has veto power and can regulate issues that the Governance Structure fails to regulate.

The Open Finance Governance Structure is composed of:

- The Deliberative Council – decisions on issues related to the implementation of Open Finance and propositions of technical standards to BCB.
- Technical groups – studies and technical proposals for the Open Finance ecosystem.
- The Secretariat – organization and coordination of the Structure's working agenda

Only financial institutions and other institutions authorized to operate by the BCB can participate in the Open Finance ecosystem. They must provide interfaces (APIs) in a format that is free of restrictions regarding their use.

The Open Finance Initiative has received 17.3 million consents from users to share personal and banking data with financial institutions, with 10.8 billion successful communications recorded within the financial ecosystem. Moving onto phase 4, the initiative will now focus on broadening the scope of Brazil's open banking by including data from non-banking stakeholders.

India

The Reserve Bank of India are responsible for regulating the India Stack. However, more research needs to be carried out to ascertain who the regulatory body for open finance in India.

The 'India Stack' was made initially in 2011. The aims of the India Stack are to promote the inclusion of neo banks (challenger banks) and increase competition. India has successfully implemented the Unified Payment Interface (UPI) system in 2016. The mobile platform enables users to connect their bank account(s) to registered mobile wallets, which enable digital payments and transactions. The UPI system has grown 10 times, constituting almost 30% of the retail transactions across the country.

The vision of India Stack can be applied to any nation, and monthly real-time mobile payments by consumers using the India Stack has risen to 8.6 billion. In 2021 the account aggregator framework which uses technology to assist consumers & businesses in simple and secure exchange of their data between financial institutions was introduced to 8 banks, this has now risen to 11 Bank APIs.

Singapore

In Singapore, The Monetary Authority of Singapore (MAS) are responsible for the development of open banking initiatives in Singapore. Progression has been made in the implementation of OB through the cultivation a conducive regulatory environment and encouraging collaboration between traditional banks and fintech firms within Singapore. Singapore's open banking strategy is a hybrid one – being both market and regulatory driven.

While the government wants banks to share data with TPPs, MAS believes that transition to open banking can be successful without enacting legislation. In 2016, MAS, in collaboration with industry partners, launched the API Playbook, a non-binding guidance on developing and adopting open API-based system architecture which seeks to set data and information standards.

This saw banks developing APIs to share financial data. Subsequent initiatives include the API Exchange (APIX), the Singapore Financial Data Exchange and the Singapore Trade Data Exchange. APIX is an open architecture platform for fintech and financial institutions to connect, share ideas and innovate collaboratively; SGFInDex is a platform that leverages the country's national digital identity system to let individuals aggregate their financial data from banks and government agencies; and SGTraDex is a digital infrastructure that allows for the secure sharing of data between supply chain ecosystem partners. Critically, Singapore's development of open banking does not stem from the need to address a specific competition issue but is part of its effort to digitise its financial services

The proposed consent mechanism for the sharing of data will be facilitated using SingPass, the single sign-on service already used by all residents to access the Government e-services. There is no specific coordinating open banking unit in Singapore.

All the (above) open banking initiatives are undertaken and coordinated by MAS, the country's integrated central bank and financial regulator, who also has a developmental mandate. Given that open banking is not regulated in Singapore, the initiatives are led by the Fintech and Innovation division, working with industry partners including the Association of Banks Singapore.

There are currently 16 API aggregators and 12 Bank API's operating within Singapore's open banking sector. SGFinDex has been in operation for close to 3 years, since its launch in Dec 2020.

It allows consumers to retrieve their personal financial information (such as deposits, credit cards, loans, insurance policy details and investments) from the participating banks, insurers and CDP, and their financial information (such as HDB loans and CPF balances) from the relevant government agencies.

The consolidation helps consumers better understand their overall financial health and plan their finances holistically. A related further use case is a digital financial planning services, developed by MAS and other government bodies, called MyMoneySense. This organisation leverages the work undertaken by SGFinDex to offer trusted, personalised and actionable guidance for more effective and comprehensive financial planning. MAS also maintains the Financial Industry API Register, which aims to serve as the initial landing site for Open APIs available in the Singapore financial industry.

EU

The European Commission released a new package of proposals consisting of the PSR, PSD3, and FISA which seeks to amend and modernise existing regulations on payment services, as well as establishing a framework for Open Finance in the EU.

The costs associated with the proposals would be borne by industry, and primarily by data holders. These include the costs associated with adherence to a data sharing scheme, and the need to establish data permission dashboards for customers. Under existing rules, data users are permitted access to payment account data without charge or the need for a contractual relationship.

At this point in time the proposals set forward by the EC for open banking seeks to establish mandatory data sharing (subject to customer permission) for a wider range of data than PSD2. For access to new categories of data, data holders (such as ASPSPs) would have the right to claim 'reasonable compensation' from data users (such as TPPs). Data holders can also charge for data or open banking services not covered by regulations. Under the proposals, data holders and data users must be members of a financial data sharing scheme within 18 months of the regulation entering into force.

Australia

Open banking is regulated by the Australian government and provided by the Consumer Duty Right (CDR). The CDR has a goal of becoming an economy wide system which will enable the secure transfer of consumer data. The Australian Competition and Consumer Commission (ACCC) is the lead regulator of the CDR.

The ACCC watches over CDR and is also responsible for granting accreditation to any organisations that wish to become an accredited data recipient and access data shared by consumers.

Australia's open banking initiatives are being rolled out in phases. In 2020, the CDR entered its next phase with non-major authorised deposit-taking institutions (ADIs) joining the big four banks in becoming data holders. In February 2022, ADIs will also have to start sharing data on personal home loans, investment loans, asset finance and retirement savings accounts. Australia OB also has plans to expand into payment initiation services. There are currently 33 Bank API's operating in Australia. In comparison to the UK, Australia has also begun to explore open banking in non-financial services as well.

Japan

Japan's Amended Banking Act of 2016 strictly regulates the scope of business that banks and their subsidiaries are permitted to be engaged in. A bank is required to obtain individual authorisation from the Financial Services Agency ('FSA') to hold an investment in Banking Activity Advancing Company as a subsidiary.

Open Banking in Japan is still in the development phase, there are several banks who have begun to implement APIs into their systems. MUFG Bank has developed an external API that enables them to see/update their product (bank account). Another early example of transitions to OB by Japanese banks includes The Ogaki Kyoritsu Bank who cooperated with net bank" Rakuten Bank" on an API and constructed a service enabling the services of both banks to be used.

To add to this, Japanese fintech SmartPay launched their new entity 'SmartPay Bank Direct' in January 2023, in a partnership network consisting of 67 partner banks across Japan. This is the country's first digital payments service which provides instalments directly from users' bank accounts.

Saudi Arabia

Open Banking in Saudi Arabia is regulated by the Saudi Central Bank (SAMA). The open banking initiative is in line with the strategic priorities set out in the Saudi Vision 2030 and in the Financial Sector Development Program (FSDP).

SAMA are working with financial market stakeholders seeking active collaboration to co-build the Open Banking ecosystem. The proposed infrastructures to be created by banks and fintech's will be centred around the development of innovative applications that analyse financial transactions data – with customer consent – and offering tailored products related to consumption patterns to benefit the customers themselves.

SAMA launched the country's open banking framework in 2022. Following the launch of the country's OB framework, the central bank has been working with market stakeholders to design and implement the framework (so OB is currently still in the development phase in Saudi Arabia).