

## **Feedback Statement**

### **FS25/4**

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# Design of the Future Entity for UK Open Banking

**August 2025**

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## Chapter 1

### Summary

- 1.1** In March 2022, the Financial Conduct Authority (FCA), Payment Systems Regulator (PSR), Competition and Markets Authority (CMA) and His Majesty's Treasury (the Treasury) published a joint statement on the future of open banking. This also announced the creation of a Joint Regulatory Oversight Committee (JROC) to help support innovation and increased use of open banking services. Since JROC's creation, there has been considerable progress made, with 13.3 million active users in March this year using open banking services, rising 40% on 2024.
- 1.2** JROC agreed that a successor to Open Banking Limited (OBL) should be established to develop open banking standards and guidelines for all participants in the open banking ecosystem, beyond OBL's current remit. The new body is known as the 'Future Entity' as it represents the next phase in the development of open banking in the UK. The standards set by the Future Entity are expected to ensure consistent user experiences and interoperability across use cases. The National Payments Vision (NPV) named the FCA as the lead regulator to progress open banking and JROC has been wound down.
- 1.3** This document responds to the feedback received to JROC's consultation on the design of the Future Entity. It sets out the FCA's expectations for the role of the Future Entity, how it will sit within the open banking ecosystem, and the next steps for establishing the Future Entity. Throughout, we use JROC when referencing JROC and 'we' or 'our' when referring to the FCA.
- 1.4** Separate to the Future Entity, we expect there to be a competitive layer of open banking schemes, which operate commercially. Underlying payments infrastructure will provide the payments rails for open banking payments.
- 1.5** Ahead of legislation, we will now work with participants across the sector to establish the Future Entity. To do this, we will hold a series of workshops over the summer and into autumn.

### Significant progress in open banking

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- 1.6** There has been significant progress in open banking over the past 12 months. The CMA announced full completion of the roadmap for open banking, the NPV simplified the regulatory landscape, and the Data (Use and Access) Act (DUAA) received royal assent. DUAA enables the Treasury to provide various regulatory powers to the FCA.
- 1.7** Over the past 6 months, while legislation progressed through Parliament and reflecting the priorities set out in the NPV, we've closely monitored an industry-led initiative which will establish a new industry-owned body that will own and operate a commercial scheme designed to enable the rollout of Variable Recurring Payments (VRP) this year. This aims to unlock a series of open banking use cases, from utility bill payments to paying taxes, with a sustainable commercial model for industry participants and appropriate dispute processes to ensure consumers are made good when things go wrong.

## Our vision for the Future Entity

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- 1.8** Feedback to JROC's consultation has helped shape our vision for the Future Entity.
- 1.9** Subject to future legislation, we expect the Future Entity to be the primary standard setting body for open banking Application Programming Interfaces (APIs) in the UK – responsible for common standards that will provide a minimum level of service and interoperability across open banking services. That means it will monitor both API performance and adherence to relevant standards (including providing information to the FCA), provide directory and certification services, and work closely with Multilateral Agreement (MLA) owner/operators to provide standards necessary to enable commercial schemes.
- 1.10** We do not anticipate that the Future Entity will own or operate commercial schemes for open banking where there are incentives for market innovation. However, where there are not commercial incentives, or there are other market failures, the Future Entity may run those schemes. The Future Entity will not be a public body or have its own enforcement powers, subject to legislation.
- 1.11** There are areas where the role of the Future Entity may evolve or expand in the future including expanding its role into open finance.
- 1.12** We expect the Future Entity and operators at the commercial scheme layer to be regulated as interface bodies under DUAA. DUAA refers to an interface body as a body which carries out one or more of the tasks set out under s.7(1) of the act. This includes setting standards or making other arrangements relating to the use of an interface.

## Our vision for the ecosystem

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- 1.13** There are three core systems that will interact to enable open banking payments.
- **Payments Infrastructure:** Underlying payments infrastructure provides the payments rails for open banking payments. The future of this infrastructure layer (including the governance and potential upgrades) is being led by the Payments Vision Delivery Committee (PVDC).
  - **Future Entity:** We expect the Future Entity to provide the core of open banking services – API standards and oversight. We expect this body to be not-for-profit, and to collect revenue to recover costs and invest on an equitable basis from its users and beneficiaries.
  - **Commercial Scheme Layer:** Separately, there will be a competitive layer of open banking schemes, which operate commercially. These commercial schemes will develop the rules which govern how firms interact and put things right when they go wrong. The schemes may or may not be for profit and we expect them to be industry led. We expect these schemes to utilise the common API standards developed and overseen by the Future Entity, to ensure interoperability, but they may innovate beyond these standards to provide premium services.



## Equality and diversity considerations

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- 1.17** Overall, we do not consider that the proposals materially impact any of the groups who share protected characteristics under the Equality Act 2010. But we will continue to consider equality and diversity implications and will revisit this as our work progresses.

## Next steps

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- 1.18** Reflecting the NPV and our 2025 5-year strategy, we want to continue the pace of delivery we've set in 2025. Open banking can support each of our strategic priorities – supporting growth, being a smarter regulator, helping consumers navigate their financial lives, and fighting financial crime.
- 1.19** Ahead of legislation, we want to work with participants across the sector to quickly establish the Future Entity.
- 1.20** We will hold a series of workshops with industry over the summer and into autumn to inform our approach. Following this series of workshops, we expect to say more about how the Future Entity will be established by the end of the year. Policy thinking in this area is still under development and proposals set out in this document are subject to future legislation.
- 1.21** We will continue to work with the Treasury to ensure powers provided via secondary legislation enable us to effectively regulate this market. Before making any rules about the Future Entity or wider ecosystem, we will follow any applicable governance procedures, such as consulting.

## Chapter 2

# Feedback received to JROC's proposals

- 2.1** In this chapter, we summarise and respond to feedback received to JROC proposals for the design of the Future Entity for UK Open Banking. JROC asked 5 questions focused on the structure and role of the Future Entity.

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

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- 2.2** OBL is responsible for open banking standards and maintaining the trust framework. We expect the Future Entity to take on and expand the role that OBL currently plays in the UK open banking ecosystem.
- 2.3** JROC recommended that the Future Entity should be established as a new, separate corporate entity from OBL. This should be a company limited by guarantee, reflecting that the Future Entity should be not-for-profit.

### **Responses received**

- 2.4** Most respondents expressed support for the Future Entity being a company limited by guarantee.
- 2.5** One respondent stated that, before they could assess the best structure for the Future Entity, they required more clarity on the long-term regulatory framework (LTRF) for open banking. Another suggested that the functions of the Future Entity should be separated into 2 separate entities (one for oversight and directory services and another to produce standards).
- 2.6** One respondent asked how the new structure would enable innovation, outside of regulation and full market consensus, noting a similar structure at Pay.UK had not achieved fast paced change.

#### **Our response**

The Future Entity should be a new not-for-profit company limited by guarantee.

The work undertaken by the Future Entity Working Group (FEWG) (a collaboration between open banking stakeholders to set out the capabilities and governance of the Future Entity), JROC, and our planned industry engagement following this publication will inform policy decisions about the LTRF. The Future Entity should be able to review its

structures over time to ensure that it is able to act on rules and guidance set through the LTRF which could set expected outcomes and/or required functions.

We don't think the Future Entity's role should be split across 2 organisations (splitting infrastructure and standards setting & oversight) as this could result in additional governance costs and bring challenges relating to coordination and alignment of objectives. For the avoidance of doubt, we do not think the Future Entity should take on roles where the market is likely able and incentivised to provide competitive services (unless there are market failures that require a central coordinating body to remedy or there are not commercial incentives). We set out our vision for the Future Entity in chapter 3.

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

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- 2.7** JROC proposed that, as part of a fair funding model, users of Future Entity services should pay for them over the course of time, while noting that fees should not be a significant barrier to entry. JROC recommended that the Future Entity Board should be responsible for setting its own funding model.
- 2.8** Building on work by the FEWG and JROC that set principles and outcomes for any funding model, JROC proposed a representative model that the Future Entity could use for funding. This was a hybrid model, separating the funding of fixed costs and premium services. Fixed costs are services provided by the Future Entity that firms' business models do not impact, such as directory services, dispute resolution, and setting API standards for core services (i.e. those currently provided under the CMA Order). Only those wishing to use premium services under this model would fund them.
- 2.9** JROC recommended that the fixed cost elements of the Future Entity would be split between ASPSPs and Third-Party Providers (TPPs) on a tiered basis, with 4 categories for each type of firm. These would be exempt firms, small firms, medium firms, and large firms. JROC proposed that this would be based on outbound API calls, with different measures for data API calls and payments initiations.
- 2.10** It was proposed that any cost to the Future Entity from developing premium services would be charged to the relevant firm, or group of firms, who are developing or using the new services. JROC recommended that this would be in the form of a charge to firms who launch the product, and then via a 'per use' or 'flat fee for membership' charge to users of premium services.



## Responses received

**2.11** Most respondents agreed there should be a hybrid funding model with a mixture of fixed fee and pay per use.

**2.12** Responses set out a range of risks associated with the funding model including:

- The risk using a single metric could result in asymmetric and unfair billing across the various contributors and may be a barrier to some using open banking. It could penalise business models that operate on high volumes & low margins. A blended set of metrics/measurements could address this.
- The risk that a tiered contribution based only on entity size could dissuade large organisations from entering the open banking sector. Given the potential expertise, investment, and consumer attention some of these organisations could bring, that would not be in the interests of open banking. To mitigate this, charges could be based on tiers of revenue derived from open banking activity. To minimise barriers to entry, a threshold revenue-level should be set below which no contribution is required.
- The risk that firms which contributed the most to the funding of the Future Entity could have larger influence over the Future Entity.
- The risk of 'free riding' should firms be able to let others pay for the development of premium APIs and use them without contributing to the set-up costs. To avoid this, some responses suggested that the Future Entity should levy fees on all users of premium APIs, rather than just those who develop them. One respondent also suggested that the Future Entity should levy a fee on all open banking participants to contribute towards an 'innovation pot' for premium API development.
- A risk of potential under-reporting of open banking activity, or ASPSPs being incentivised to limit access to open banking to reduce fees.

**2.13** Respondents highlighted that:

- Some firms perform the functions of both ASPSPs and TPPs, and that the funding model needs to reflect this.
- Data sharing, such as account balance updates, is different to payment initiation so there should be different fees for data sharing.
- Funding models should not present barriers to entry to new entrants and innovation. Therefore, fees should also be scalable (contributions should not become prohibitive as usage and volumes grow) and accessible (for products and services which may be of societal benefit but low profit).

**2.14** Some respondents suggested using a different funding model for aspects of open banking that serve the public good, rather than commercial use cases. Some respondents also suggested that there should be free access to Future Entity services for non-commercial organisations such as charities, consumer groups, and academic institutions. 'Open access' for these types of organisations is important to deliver wider societal benefits and drive publicly beneficial innovation rather than only that which can deliver commercial returns.

## Our response

We expect the Future Entity to collect revenue on an equitable basis to recover costs and invest. We continue to believe that the approach to developing a funding model proposed by JROC is broadly fit for purpose, although we will need to refine it as we work with participants from across the sector to establish the Future Entity.

We have commissioned professional services to perform financial modelling for the Future Entity. This work can inform how the costs of the Future Entity could be shared among participants in the ecosystem. It can consider upfront set-up costs and annual operating costs for:

- i. Core functionality of the Future Entity, including the costs of new services it will deliver.
- ii. Transitioning from OBL to the Future Entity.
- iii. Additional functions required of the Future Entity to support the development of new premium APIs and associated MLAs.

We note the risks and suggestions raised in responses to JROC's consultation. We recognise that, in developing funding models, we should consider the apportionment of costs in the round with other funding requirements, such as those in relation to commercial schemes and underlying infrastructure. We agree that the Future Entity's role and funding should not incentivise 'free riding' when developing new use cases and bringing innovative products to market.

We plan to discuss approaches to funding with participants as a part of a series of workshops over the summer and into autumn to further inform our approach.

## Questions 3, 4 and 5: Sought views on the Interim Entity.

**2.15** In its 2024 proposals for the design of the Future Entity, JROC also proposed to establish an Interim Entity. The Interim Entity was intended to progress the parts of the non-Order JROC workstreams which were previously carried out by OBL:

1. Levelling up availability and performance.
2. Mitigating the risks of financial crime.
3. Ensuring effective consumer protection if something goes wrong.
4. Improving information flows to TPPs and end-users.
5. Promotion of additional services, using non-sweeping VRP (added later as the fifth non-Order workstream).

**2.16** Earlier this year, we decided to progress the remaining work on the first 4 workstreams as part of developing the LTRF for open banking. We also continue to support an industry-driven approach to expanding VRPs in 2025. We set out further information about our work to support development of a commercial scheme to enable VRP in Chapter 3. We will give an update on how the non-Order workstreams are being progressed later this year.

- 2.17** Because there are now clear pathways to progressing work on the non-Order workstreams, and to move quickly towards establishing a Future Entity, we no longer believe it necessary or efficient to create an Interim Entity.
- 2.18** Feedback received on establishing the Interim Entity will guide our work on the development of the Future Entity.

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

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- 2.19** JROC proposed that an Interim Entity would be established as soon as practically and efficiently as possible. To this end, JROC proposed that the Interim Entity would be a subsidiary of OBL, with OBL as its parent and sole shareholder.

#### **Responses received**

- 2.20** Respondents expressed mixed opinions on the need for an Interim Entity. Some didn't think the proposals for setting up an Interim Entity were a best use of funds or time or were not convinced that a separate legal entity was strictly necessary. Some firms reported that they didn't want the Interim Entity to be a separate legal entity from OBL because of the costs associated with setting up a brand-new entity. Many responses highlighted that there needed to be clear separation between Order and non-Order activity.

#### **Our Response**

As explained at paragraph 2.17, given feedback to the consultation we no longer believe that an interim entity is required.

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### **Question 4: JROC sought input on the method of obtaining appropriate advice for the Interim Entity Board of Directors in the interests of the entire ecosystem, including consumers and businesses.**

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- 2.21** JROC asked whether it would be preferable for advisory groups to advise the Interim Entity Board, or whether appointing directors to represent certain areas of the ecosystem would be more effective. It also asked whether we should explore other mechanisms.

## Responses received

- 2.22** Respondents gave mixed views in response to this question. Some respondents believed the Board would be best supported by advice from advisory groups. Others said the Board should have membership representative of the entire ecosystem.
- 2.23** There were also mixed views on the size of the Board. These ranged from a respondent suggesting that the Future Entity should have expanded Board membership to increase consumer and SME representation, to warnings that a large Board would be impractical, less agile, and unable to come to consensus.
- 2.24** Where respondents considered Board members should have a balanced understanding of the open banking ecosystem, instead of seeking to achieve representation from every sector, some respondents suggested that Board members should take advice from advisory groups. Some individual responses provided views on how the Board could take advice, including views on whether this should come from stakeholder engagement or permanent or temporary advisory groups.

### Our Response

While there will not be an Interim Entity, this feedback is relevant to the design of the Future Entity. The FEWG considered that for the Future Entity, an independent, unified Board was preferable to a Board composed of representatives each representing different parts of the ecosystem. Given feedback, we expect the Future Entity's Board to take advice from advisory groups.

We expect the Board of the Future Entity to include non-executive directors who bring balanced expertise to the Future Entity. We discuss the process for appointing the Board of the Future Entity in response to question 5. While members of the Board may have other roles within the open banking industry, they should be expected to perform their role within the Future Entity fully independently from any other positions. We will expect the Future Entity to establish a robust conflicts of interest policy, with interests declared and managed.

We expect the Board of the Future Entity to establish advisory groups aligned to achieving their objectives and dispensing the functions of the Future Entity. In doing so, we expect the Board to ensure that a balance of views is represented, including small and medium sized enterprises and merchants across relevant industries (with specific focus areas for emerging and expanding uses of open banking). We agree that the Board of the Future Entity should seek views of consumer representatives. We expect the Future Entity to take advice from a consumer panel that represents the needs of end users who use open banking to enhance their financial lives.

Should the Future Entity, or any other entity, take on the role of interface body for open finance use cases in the future, there will be a wider range of participants in the open finance ecosystem. In this case, the Future Entity should consider how their views are represented on the Board and in advisory groups.

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

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- 2.25** JROC set out two options for the appointment of the Interim Entity Board. Option 1 was to set up an appointments committee and option 2 was commissioning a recruitment agency to appoint the Board.
- 2.26** JROC recommended that an appointments committee should appoint the Board of the Future Entity. With the committee composed of:
- One end-user consumer representative.
  - One end-user business representative.
  - Two TPP representatives.
  - Two ASPSP representatives.
  - An independent advisor with the necessary expertise to appoint a Board within the open banking ecosystem.

### **Responses received**

- 2.27** Most responses to JROC's question in relation to the Interim Entity supported option 1 – setting up an appointments committee. Several respondents wanted industry participants to have the opportunity to comment on role descriptions (or components thereof) to enable confidence in the process.
- 2.28** There were a range of views on who should sit on the appointments committee and the role of the independent advisor. Some respondents suggested that the independent advisor would need to be an expert in financial regulation and relevant legal frameworks and have no direct connection to the fintech market. Consumer representatives suggested that the independent advisor should consult with a range of consumer organisations for views on the appointment of the consumer representative to the appointments committee.
- 2.29** One respondent was concerned the proposal did not include representation from agents of TPPs, as many fintechs leverage TPP open banking data and licenses to deliver outcomes for consumers without the FCA regulating them.

- 2.30** Two respondents said the process should be streamlined. They recommended candidates be shortlisted based on demonstrated expertise in accreditation, governance, liability frameworks, and dispute resolution rather than focusing on representing the open banking ecosystem. Another submission recommended that an independent selection panel composed of legal and regulatory experts should assess shortlisted candidates. JROC should set clear expectations for impartiality of the Chairs and actively supervise this.
- 2.31** One respondent thought the options proposed by JROC to appoint the Board of the Interim Entity would be too slow. They, instead, suggested that a specialist consultancy firm should be engaged to source the Board with JROC retaining oversight and final decision-making rights.

### Our response

We expect an appointments committee to appoint the Future Entity's Board, with representation as outlined by JROC. This offers a more robust, transparent, and inclusive approach than using a recruitment agency.

An effective appointments committee that includes a diversity of perspectives will foster appointments to the Board that reflect the needs and concerns of relevant parties in the open banking ecosystem, while maintaining the independence and integrity needed for oversight.

We acknowledge the call to include a representative of TPP agents in the appointments committee, however we do not consider it proportionate to expand the appointments committee to include this. We consider JROC's proposal for the committee to include TPP and end-user consumer and business representation is sufficient to capture all participants' requirements. We agree that the independent advisor should consult consumer groups in relation to appointing a consumer representative.

## Additional comments

- 2.32** In this section, we set out wider feedback we received. We explain how we considered this feedback and how this has shaped our views on the Future Entity.

### Structure of the Future Entity

#### Feedback

- 2.33** One firm asked if there needs to be a new entity as the new company could be a new incorporation of OBL.

### Our Response

The CMA9 created OBL as required under the CMA Order. We recognise the considerable contribution OBL has made in establishing the current ecosystem and the expertise that exists within OBL.

Establishing the Future Entity as a new company reflects that we expect the Future Entity to play a different and expanded role in open banking and it should also help reduce the risk of the Future Entity assuming historic liabilities.

We will work with industry to decide the best way to establish the Future Entity, taking into account the need to effectively transition existing expertise and CMA Order activities from OBL to the Future Entity. This will include consideration of whether the Future Entity can be an evolution of OBL.

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### Feedback

- 2.34** Multiple respondents stated there should be clear delineation between Order and non-Order work as the Interim Entity is established, and they suggested how this could be achieved. They highlighted the importance of managing liabilities. They requested clarity on the revocation of the Order.

### Our Response

We recognise that concerns around the clear separation of Order and non-Order work are relevant to establishing the Future Entity. The Future Entity, once established, will take forward coordination and standards-setting for non-Order open banking activities, as well as Order related activities (subject to the CMA's consent). Before the establishment of the LTRF, any Order related activity will continue to be subject to oversight by the CMA.

When there is sufficient certainty over the LTRF, and therefore the regulatory framework for the Future Entity, the CMA will review the Order to assess whether, due to any change of circumstance, the Order is no longer appropriate or needs varying. Once the LTRF is in place and the CMA has conducted its review, there will no longer be a disaggregation between Order and non-Order work.

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### Feedback

- 2.35** Two respondents stated the need to separate open banking from open finance and other smart data initiatives.

## Our Response

The DUAA enables the Government to introduce Smart Data via sector specific secondary legislation. Open finance is a key part of our 5-year strategy. The FEWG, JROC, and OBL have all produced detailed analysis on the Future Entity's role in open banking, while open finance has not had the same level of in-depth consideration. This paper has therefore only considered the role of the Future Entity in open banking. The FCA launched a Smart Data Accelerator to facilitate the testing of use cases, encourage the development of solutions, and help shape regulatory policy for open finance and will publish a roadmap for open finance by March 2026.

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## Feedback

- 2.36** One respondent noted that the leadership team should include individuals from outside the ecosystem. Directors should be independent from ecosystem participants. They should have the requisite skills and knowledge to lead a central orchestration body in a competitive market and be strong enough to manage the many different and sometimes opposing views that are inherent in a competitive financial ecosystem.

## Our Response

We agree with the need for the requisite skills and experience to lead the Future Entity. Job descriptions and person specifications for Board members and the senior leadership team should reflect this. A balanced Board, with the joint aim of furthering the industry to the benefit of all participants, should support the Future Entity to achieve its objectives. We also expect the Board to receive support from advisory committees and to have clear governance and terms of reference.

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## Consumer protection

## Feedback

- 2.37** We received several pieces of additional feedback concerning levels of redress and consumer protection in open banking. One response noted the importance of considering the risk of bad actors exploiting consumer data and the potential for data theft or loss when developing open banking and open finance. Another suggested that consumer protection is more important than ensuring markets are competitive, so consumer protection should take precedence.



### Our response

For open banking to continue to grow, we recognise the importance of developing trust in open banking products. We developed the approach to establishing the Future Entity set out in this document, including for appointing and advising its Board, with delivering good outcomes for consumers in mind. There will be further engagement and consultation as we carry out this work as we design the LTRF.

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## Capabilities

### Feedback

- 2.38** One respondent noted there needs to be better public awareness of open banking. They stated that the JROC proposals don't cover the key issues of public awareness, demand, and encouraging trust.

### Our Response

In the future, the Future Entity may work with commercial scheme owners and operators to promote open banking uptake within the UK. The FCA does not typically promote the services of a given financial sector. Industry participants are well positioned to raise public awareness of open banking services and the options available to consumers, which could enhance their financial lives. This can enhance trust in the open banking ecosystem and take-up of services, benefiting firms which operate within the industry.

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### Feedback

- 2.39** One firm suggested that, where possible, industry should offer services competitively, noting that the JROC consultation makes minimal mention of merchants. The respondent encouraged regulators to consider merchants when progressing work. The FCA should create conditions in which multiple open banking schemes compete to meet customers' needs. There is a need for a strong rationale for the Future Entity to offer services which industry could otherwise provide competitively. The FCA should also consider whether allowing the Future Entity to offer a given service will deliver a level playing field and encourage competition between multiple open banking solutions and schemes.

### Our Response

There is a balance to be struck between the benefits of competition in services and those of centralised standards. In chapter 3 we set out our vision for the ecosystem and the future entity, including the role we

expect the Future Entity to play in setting core standards and ensuring a minimum level of service and consistency and interoperability across open banking services for the benefit of the ecosystem. We explain that we do not expect the Future Entity to own or operate commercial schemes for open banking where there are incentives for market innovation. Where there are not commercial incentives or there are other market failures, the Future Entity may run those schemes. While we expect the Future Entity to provide directory and certification services, this should not prevent a market developing for such services.

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## **Feedback**

- 2.40** One respondent commented that asking the Board of the Future Entity to review its own capabilities would create a conflict of interest as the Future Entity would have an incentive to maintain and carve out responsibilities for itself.

### **Our Response**

We expect that any such review should be independent from the Future Entity Board. By placing the Future Entity under wider obligations to ensure efficiency and value for money (via governance codes, accountability to funders and guarantors, and ultimately FCA rules and guidance), this conflict should be mitigated.

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## **Regulation**

### **Feedback**

- 2.41** Two respondents said that the CMA should revoke the Order now.

### **Our Response**

We are working closely with the CMA on the design of the Future Entity. When there is sufficient certainty over the LTRF, the CMA will consider initiating a review of the Order. The CMA intends that, if this review results in a decision to revoke the Order, then this will be aligned with the LTRF becoming effective.

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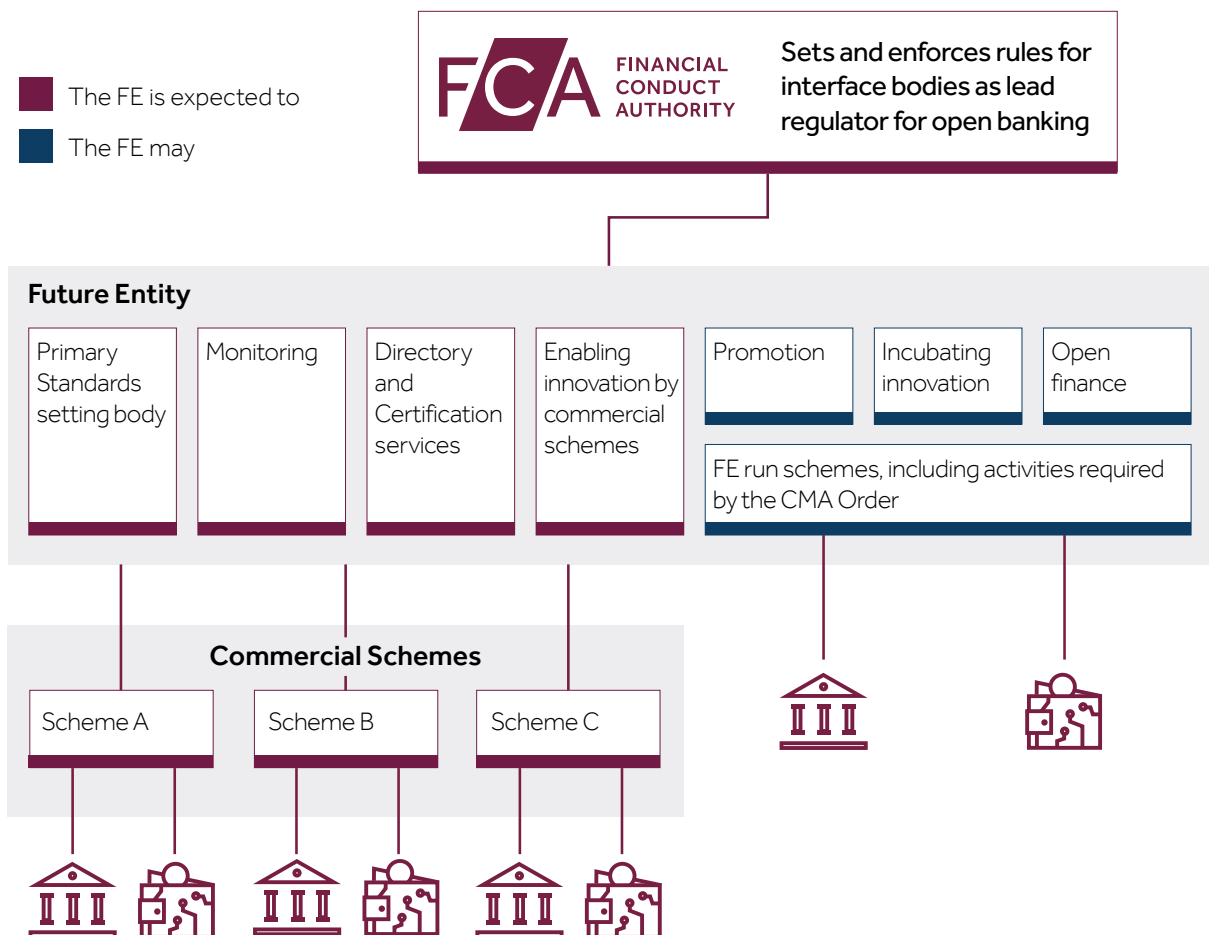
## Chapter 3

# Our vision for the Future Entity in the open banking ecosystem

- 3.1** As discussed in Chapter 2, significant work has happened through the FEWG and JROC to design the Future Entity for open banking. In this section we set out our vision for the Future Entity. Feedback received to JROC's proposals has informed this vision.
- 3.2** Policy thinking in this area is still under development and it is important to note that the proposals set out in this document are subject to future legislation.
- 3.3** We will be engaging industry over the coming months with a view to establishing the Future Entity and to update policy thinking. We will also meet any applicable procedural requirements, such as consulting, before making any rules about the Future Entity or wider ecosystem.
- 3.4** We expect the Future Entity to:
- Be the primary standard setting body for open banking APIs in the UK.
  - Monitor both API performance and adherence to relevant standards (and provide information to the FCA).
  - Provide directory and certification services (this should not prevent a market developing for such services).
  - Work closely with MLA owner/operators to provide standards necessary to enable commercial schemes.
  - Ensure a minimum level of service and consistency across open banking services.
  - Support commercial schemes to innovate beyond the minimum level in the best interest of the UK and Consumers.
  - Ultimately be subject to oversight and the rules set by the FCA as lead regulator for open banking.
  - Be funded through collecting revenue on an equitable basis.
- 3.5** The Future Entity may in the future:
- Work with owner/operators in the commercial scheme layer to promote open banking uptake.
  - Expand its role into open finance.
  - Where required, incubate innovation by assisting in the creation/development of new schemes.
  - Provide additional technical infrastructure (e.g. integration hub) in support of its own APIs where it can be evidenced that doing so would reduce the costs of the ecosystem.
- 3.6** We do not expect the Future Entity to:
- Be a public body or have enforcement powers set out in legislation.

- Own/operate commercial schemes for open banking (unless there are market failures that require a central coordinating body to remedy or there are not commercial incentives).
- Oversee schemes that do not follow its standards.

**Figure 2 – Vision for the Future Entity**



- 3.7** Building on the work of OBL, we expect that the Future Entity will take the form of a new company limited by guarantee. It will be funded through collecting revenue on an equitable basis. It will have an independent Board appointed by an appointments committee, containing balanced expertise, and receiving advice from advisory groups. The Future Entity should be able to review its structures over time.
- 3.8** To ensure a layer of consistency in technical standards and interoperability across the ecosystem we expect the Future Entity to be the organisation responsible for setting common standards that will provide a minimum level of service and interoperability across open banking services. The interoperability brought by establishing common standards has been critical to the success of open banking in the UK to date.
- 3.9** As discussed in our response after paragraph 2.34, as the primary standard setter for open banking, the Future Entity is expected to take forward coordination and standards-setting for non-Order open banking activities, as well as Order related activities (subject to the CMA's consent). Before the establishment of the LTRF, any Order related activity

will continue to be subject to oversight by the CMA. When there is sufficient certainty over the LTRF, and therefore the regulatory framework for the Future Entity, the CMA will review the Order to assess whether, due to any change of circumstance, the Order is no longer appropriate or needs varying. Once the LTRF is in place and the CMA has conducted its review, there will no longer be a disaggregation between Order and non-Order work.

- 3.10** Subject to legislation, as an Interface Body the Future Entity will be required to act in accordance with rules and guidance set by the FCA which could include expected outcomes and/or functions.

## Open Finance

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- 3.11** Open finance seeks to expand the secure permissioned access to financial payments data into areas of finance beyond payment accounts. This can offer streamlined access to financial services and products for consumers. These exciting use cases could enable consumers and businesses to take control of their mortgages, utilities, and more.
- 3.12** We list open finance above as an area the Future Entity may expand into in the future. This is because the FEWG, JROC, and OBL have all produced detailed analysis of the Future Entity's role in open banking, whereas open finance has not had the same level of in-depth consideration. In this paper we have therefore only considered the role of the Future Entity in open banking.
- 3.13** Open finance is a key part of our 5-year strategy. We have launched a Smart Data Accelerator to facilitate the testing of use cases, encourage the development of solutions, and help shape regulatory policy for open finance and will publish a roadmap for open finance by March 2026.

## The open banking ecosystem

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- 3.14** As discussed in chapter 1, the Future Entity will interact with Payments Infrastructure and a commercial scheme layer to enable open banking.

### Payments Infrastructure

- 3.15** Underlying payments infrastructure provides the payments rails for open banking payments.
- 3.16** The [Vision Delivery Committee Update](#) has set out a collaborative new model to design and deliver next-generation infrastructure including plans for a new Delivery Company. We will work closely with PVDC as this progresses.

## Commercial Interface Bodies

- 3.17** We expect there will be a competitive layer of open banking schemes, which operate commercially.
- 3.18** These commercial schemes will develop the rules which govern how firms interact and put things right when they go wrong. They may or may not be for profit and we expect them to be industry led. We expect these schemes to utilise the common API standards developed and overseen by the Future Entity, to ensure interoperability between schemes, but they may innovate beyond these standards to provide premium services.
- 3.19** There are currently no commercial schemes in operation. Reflecting the priorities set out in the NPV, we have closely monitored an industry-led initiative which will establish a new industry-owned body that will own and operate a commercial scheme designed to enable the phased rollout of VRP this year.
- 3.20** We expect MLAs to underpin the commercial scheme layer, setting out the terms of each commercial scheme for individual TPPs and banks covering commercial aspects such as disputes, costs, and API standards. This approach reduces the cost and inefficiencies associated with negotiating bilateral relationships and having fragmented technical standards for APIs.
- 3.21** MLA Operators will 'own and operate' commercial schemes. We wrote to trade associations regarding the commercial Variable Recurring Payments (cVRP) scheme in December 2024. We wanted to ensure that it would be possible for participants to come to equitable arrangements, given the ambition of the NPV, competing interests, and differing levels of market power. We set out criteria for selecting an operator for the cVRP MLA that could act as guardrails for the creation of the scheme and help to balance competing interests. We set out those guardrails in Annex 1 of this document.
- 3.22** We do not expect the Future Entity to own or operate commercial schemes for open banking where there are incentives for market innovation. However, where there are not commercial incentives, or there are other market failures, the Future Entity may run those schemes.
- 3.23** We expect the operators at the commercial scheme layer to be regulated by the FCA as interface bodies under DUAA.

## Conclusion

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- 3.24** As set out in Chapter 1, open banking can support each of our strategic priorities – supporting growth, being a smarter regulator, helping consumers navigate their financial lives, and fighting financial crime.
- 3.25** There has been significant progress in open banking over the past 12 months, and we want to continue this pace of delivery. The Future Entity, in providing the core standards for open banking services, is key to the success of the next phase of open banking.

- 3.26** Ahead of legislation, we will work with participants across the sector to quickly establish the Future Entity
- 3.27** We will hold a series of workshops with industry over the summer and into autumn to inform our approach. Following this series of workshops, we expect to say more on how the Future Entity will be established by the end of the year.
- 3.28** We will continue to work with the Treasury to ensure powers provided via secondary legislation enable us to effectively regulate the market. We will also work closely with the Department of Business and Trade as Open Banking is expected to be a Smart Data scheme under DUAA.

## Annex 1

# Supporting development of a new commercial scheme for VRP

1. As discussed in Chapter 3, here we set out the guardrails created to support the creation of the cVRP scheme in line with the National Payments Vision. A letter to relevant trade associations in 2024 set out these guardrails previously. They set out important criteria for selecting an operator for the cVRP MLA.
2. We do not require firms to adhere to these guardrails when creating private schemes or negotiating contracts. We would consult before making any new guidance or rules.
3. We consider that cVRP products and schemes should be able to compete on factors such as price, consumer experience, redress mechanisms, merchant services, and innovative or broader use cases.
4. The criteria we set out were:

## Ability to satisfy Competition Law requirements

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5. The proposals for development and operation of an MLA operator should satisfy Competition Law requirements.

## Equitable control

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6. There needs to be mechanisms so that control exercised over an MLA operator is equitable and representative. This could be achieved through a shareholders agreement, or otherwise.

## Equitable/representative governance

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7. The Board must be representative of the open banking ecosystem. There should also be specialist advice on specific aspects of the ecosystem. This could be, for example, through advisory groups.

## Improving existing competition and not distorting the existing market

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8. An MLA operator should make sure VRP provides competition to existing payments methods that are already in the market and does not distort existing competition.



## Ability to scale and transition effectively to the future vision for open banking

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9. An MLA operator must be able to scale and develop the scheme for cVRP and open banking payments to achieve choice and support diversity in how individuals make and receive payments with appropriate protections.
10. An MLA operator should, so far as possible, seek to maximise coverage of consumer and merchant bases. The proposal should consider the infrastructure needs to achieve scalability, and any increase in capital required.

## Functionality of the MLA operator

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11. An MLA operator must be able to fully operationalise the provisions in the MLA. This includes effective oversight of the scheme, dispute system, implementing the commercial model and providing a billing mechanism.

## Achievable funding

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12. An MLA operator must have adequate and appropriate funding of a suitable form, which could be voluntary, through lending (both repayment, and convertible), or otherwise for a reasonable period.

## Speed to launch

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13. An MLA operator must be fully operational by Q3 2025 to launch VRP phase 1.

## Transition to phase 2

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14. Transition must be considered in the design of an MLA operator as well as potential requirements or changes in line with the long-term regulatory framework as this is developed.
15. There must be an achievable and timely plan to transition to phase 2 within 12 months and ongoing staffing and contractual certainty must be achieved.

## Ability to manage liabilities

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16. On operation, an MLA operator should be able to show that it will have adequate funding and has the ability to manage potential liability, such as for losses.

- 17.** It must be able to meet these through adequate capital, ongoing funding or other mechanisms, such as insurance, with the right amount of capital and liquidity determined through stress testing.

## Business plan and cash forecast

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- 18.** In Q1 2025, the proposal for an MLA operator should outline details of the business plan and the cash forecast for Phase 1.
- 19.** If a proposal for an MLA operator is unable to include sufficient detail for each of the above criteria, it should contain a plan to provide that detail within a reasonable time period.

## Annex 2

### Abbreviations used in this paper

Abbreviation	Description
<b>AISP</b>	Account Information Service Provider
<b>API</b>	Application Programming Interface
<b>ASPSP</b>	Account Servicing Payment Service Provider
<b>CMA</b>	Competition and Markets Authority
<b>CMA 9</b>	The nine largest banks and building societies in the UK, as designated by the CMA to create and fund the Open Banking Implementation Entity
<b>cVRP</b>	Commercial Variable Recurring Payments
<b>DUAA</b>	Data (Use and Access) Act
<b>FCA</b>	Financial Conduct Authority
<b>FEWG</b>	Future Entity Working Group
<b>JROC</b>	Joint Regulatory Oversight Committee
<b>LTRF</b>	Long-term regulatory framework
<b>MLA</b>	Multilateral agreement
<b>NPV</b>	National Payments Vision
<b>PISP</b>	Payment Initiation Service Provider
<b>PVDC</b>	Payments Vision Delivery Committee
<b>TPP</b>	Third-Party Providers
<b>VRP</b>	Variable recurring payments

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