Financial Conduct Authority

Research Note

6 October 2025

Open Banking and Open Finance in the UK

Aimee Murray and Jed Buckenham

FCA research notes in financial regulation

The FCA research notes

The FCA is committed to encouraging debate on all aspects of financial regulation and to creating rigorous evidence to support its decision-making. To facilitate this, we publish a series of Research Notes, extending across economics and other disciplines.

The main factor in accepting papers is that they should make substantial contributions to knowledge and understanding of financial regulation. If you want to contribute to this series or comment on these papers, please contact Aimee Murray (aimeeveronica.murray@fca.org.uk) or Jed Buckenham (jed.buckenham2@fca.org.uk).

Disclaimer

Research notes contribute to the work of the FCA by providing rigorous research results and stimulating debate. While they may not necessarily represent the position of the FCA, they are one source of evidence that the FCA may use while discharging its functions and to inform its views. The FCA endeavours to ensure that research outputs are correct, through checks including independent referee reports, but the nature of such research and choice of research methods is a matter for the authors using their expert judgement. This note is provided for general information only. The FCA does not guarantee the accuracy of this note. The FCA accepts no responsibility for any errors or omissions in this note or for any action taken based on the information provided.

Authors

Aimee Murray and Jed Buckenham

Acknowledgements

We would like to thank Lynn Lim, Jessica Barnaby and their teams for their support in our efforts to summmarise the findings from KPMG and EE for this report.

All our publications are available to download from www.fca.org.uk. If you would like to receive this paper in an alternative format, please call 020 7066 9644 or email publications_graphics@fca.org.uk or write to Editorial and Digital Department, Financial Conduct Authority, 12 Endeavour Square, London E20 1JN.

Contents

1 Executive Summary

Earlier this year (2025), the FCA commissioned consultancies KPMG and Europe Economics (EE) to conduct desk-based research using publicly available information. The aim was to provide a rigorous and evidence-based understanding of the current state of open banking services and inform the development of a strategic framework and theory of change for establishing open finance. In this research note, we present a summary of the analysis undertaken by the consultancies in this regard.

This report does not reflect FCA views or policy positions. The analysis set out in the note will be considered as a contributing input to our wider programme of work on open banking and open finance.

Across both consultants' research, there were common messages on the progress of open banking and for the development of open finance. These were:

1. **Open banking continues to grow.**

Open banking has made steady progress in the UK, establishing a foundation for innovation and competition. Growth has been driven by practical use cases and increasing consumer trust. This gradual development, mirrored in other fintech innovations such as digital wallets, suggests that open finance could follow a similar trajectory.

2. **Open banking offers valuable lessons for open finance.**

While there remain many questions about open banking, the UK's experience provides valuable insights for the development of open finance. Insights from international approaches – both successes and challenges – can further inform the UK's development of an effective and inclusive open finance framework. By building on its leadership in open banking and learning from global practices, the UK can refine its approach to design, implementation, and consumer engagement. The early stages of open finance should be seen as a space for experimentation and refinement, with a focus on meaningful outcomes rather than short-term adoption metrics.

3. **There is still work to do in open banking.**

Open banking in the UK has established a strong foundation for innovation, inclusion, and secure digital payments, with growing potential to reshape the financial landscape. However, fragmented regulation, commercial misalignment, and uneven consumer trust present challenges that must be addressed to unlock its full strategic and economic value.

4. **Roadmaps for both open banking and open finance can help industry investment and coordination.**

Developing a roadmap for open banking and open finance can help anchor confidence for industry investment and encourage coordination. While both distinct, the roadmaps should be aligned to support and reflect industry leadership, investment and coordination.

5. A range of considerations must inform regulatory framework design.

Developing a coherent regulatory framework for open finance will require early alignment across regulators, commercially viable incentive structures, and investment in shared infrastructure. Key considerations include data reciprocity, technical readiness, systemic safeguards, and governance models that balance innovation with consumer protection and market stability. These considerations can be considered as a trade-off between the potential benefits of open finance, and the potential risks it could pose. This approach ensures the FCA and industry participants make balanced, risk-informed decisions that reflect the real-world complexity of the open banking and open finance markets, and allow us to be a smarter, more adaptive regulator.

2 Introduction and Methodology

Introduction

A smart data economy has the potential to make consumers' and businesses' lives easier, increasing choice and allowing for easy-to-access, personalised support. Open banking and open finance are key components of this ecosystem[1]. While open banking focuses specifically on the secure exchange of consumer transaction data through standardised Application Programming Interfaces (APIs), open finance extends this principle to encompass the full spectrum of a consumer's financial data, including insurance, mortgages, investments, pensions, savings and consumer credit. This extension of consented data sharing unlocks exciting opportunities for personalised, seamless and inclusive financial products for consumers which can better meet their needs. Open finance is positioned as the foundation for future smart data applications. To succeed, interoperable design, aligned regulation, and inclusive infrastructure is required.

In November 2024, the UK Government launched the National Payments Vision[2], signalling the ambition for the UK to be a 'world leader' in open finance. This vision builds on the principles of open banking and financial data sharing, aiming to give consumers and businesses greater control over a broader spectrum of their financial data. Significant progress has been made in scaling open banking and laying the groundwork for open finance. As the lead regulator, the FCA is committed to continuing this development. The FCA 5-year Strategy (2025 – 2030)[3] places the 'smart data revolution' at its core, with a focus on enhancing the commercial sustainability of open banking and using its success to launch open finance – this momentum is key to delivering innovation, enhancing competition, and protecting consumers from financial harm whilst providing greater flexibility and lower costs for consumers.

Methodology

KPMG's research was designed to be agile and evidence-driven, aligning with the FCA's strategic ambitions for sustainable growth in open banking and the transition to open finance. It drew on both FCA-provided resources and publicly available information. It included stakeholder engagement to refine the FCA's current strategy and delivery plan to guide future regulatory and industry action. The approach also involved extensive research leveraging FCA and Open Banking Limited (OBL) data, analysis of industry sentiment and the development of targeted questionnaires for consumers and merchants (issued via FCA channels). International best practices were also reviewed through KPMG's global network, and deep dives initiated to address remaining evidence gaps.

[1] UK Government (2024), Creating a Smart Data Economy, [online]
[2] HM Treasury (2024), National Payments Vision, [online]
[3] Financial Conduct Authority (2024), Our Strategy 2025–30, [online]

EE employed a multi-method research design integrating desk-based research, analytical assessments, and quantitative and qualitative primary data collection. This was used to gather evidence on the research objectives. The desk research for each report involved a structured assessment of available literature. Analytical assessments included mapping consumers' journeys and behavioural responses as they engage with open banking and open finance, an analysis of the incentives shaping different firms in the market, and use of international case studies.

EE's primary data collection methods included:

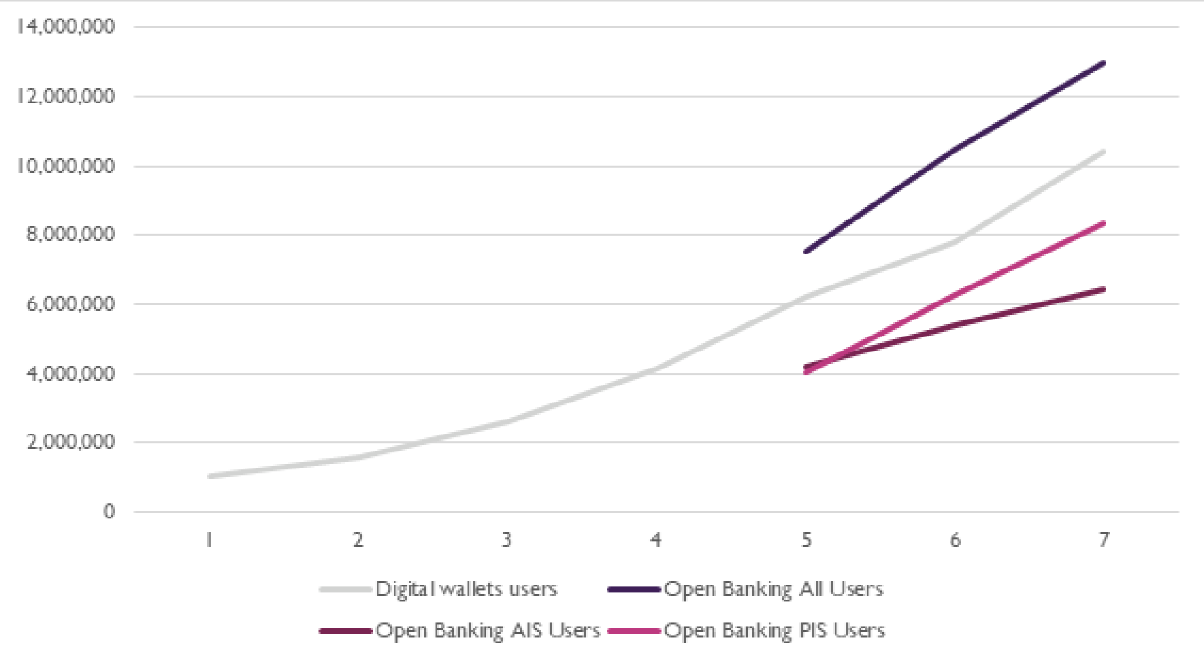
- Surveys – two bespoke surveys were commissioned in collaboration with YouGov, a 2,000-person general consumer survey and a targeted Small and Medium-sized Enterprise (SME) survey involving 1,000 decision-makers, each aiming to capture perspectives on and trust in open banking and open finance services.
- Stakeholder interviews – a series of structured interviews were conducted with key stakeholders. The open banking questions explored the barriers to adoption and stakeholder views on the future. The open finance questions covered practical viewpoints on opportunities and challenges, and sense-checking to ensure the analysis reflects industry views.
- Behavioural study – in the form of a Randomised Control Trial (RCT), used to empirically test the effect of information given during sign-up on consumers stated willingness to adopt open banking.

3 Open Banking in the UK

Current state of play

As of March 2025, the total number of active open banking users in the UK stood at around 13.3 million[4], reflecting steady growth and a broader trend towards digital financial services. Over 23 million one-off payments were successfully processed using open banking by early 2025, with 3.7 million successful Variable Recurring Payment (VRP) transactions recorded in March alone. While open banking transactions remain modest compared to digital wallets or contactless cards, uptake is not underperforming - open banking may simply be tracking a typical technology adoption curve, similar to the early growth of digital wallets.

Figure 1: Growth in Number of Open Banking Users vs Digital Wallet Users in Early Years



Source: Open Banking (2025). API Performance Stat. Ofcom (2025). Open Data. UK Finance (2023, 2024). UK Payment Markets Summary.

Figure 2 outlines the current state of open banking in the UK, identifying areas of strength, weakness, opportunity, and threat that can inform future strategic development.

[4] Open banking active is defined as either having an open banking data connection which has been used in that calendar month or having made at least one open banking payment [online]

Strengths: Foundations for Innovation and Inclusion

Open banking has laid important groundwork for a more inclusive and competitive financial ecosystem. Several strengths are highlighted:

- **Market inclusivity**: Open banking lowers entry barriers for new and smaller players, helping to bridge gaps between CMA9 banks, other Account Servicing Payment Service Providers (ASPSPs), and Third-Party Providers (TPPs).
- **Alternative to traditional payments**: As consumer expectations evolve, open banking is positioned as a strategic alternative to card payments, offering lower transaction fees and more transparent pricing.
- **Security and adaptability**: The secure API infrastructure and advanced fraud detection capabilities provide a strong foundation for trust and resilience. Open banking is also adaptable to emerging technologies and evolving market needs.

Weaknesses: Structural and Perception Challenges

Despite progress, several interconnected challenges continue to hinder open banking from becoming a fully thriving ecosystem:

- **Fragmented regulatory architecture**: Oversight has been dispersed across multiple bodies, which has contributed to a narrow focus on adoption metrics rather than aligning incentives across the ecosystem.
- **Commercial misalignment**: Many ASPSPs lack direct financial incentives and often view open banking as a compliance obligation. This uncertainty around revenue potential makes it difficult to establish a sustainable commercial model.
- **Consumer trust and understanding**: Public awareness and confidence remain uneven. Issues around dispute resolution, data protection, and the perceived value of services must be addressed through targeted policy and engagement.

Opportunities: Economic and Strategic Potential

Open banking is increasingly recognised as a platform for broader economic and strategic gains:

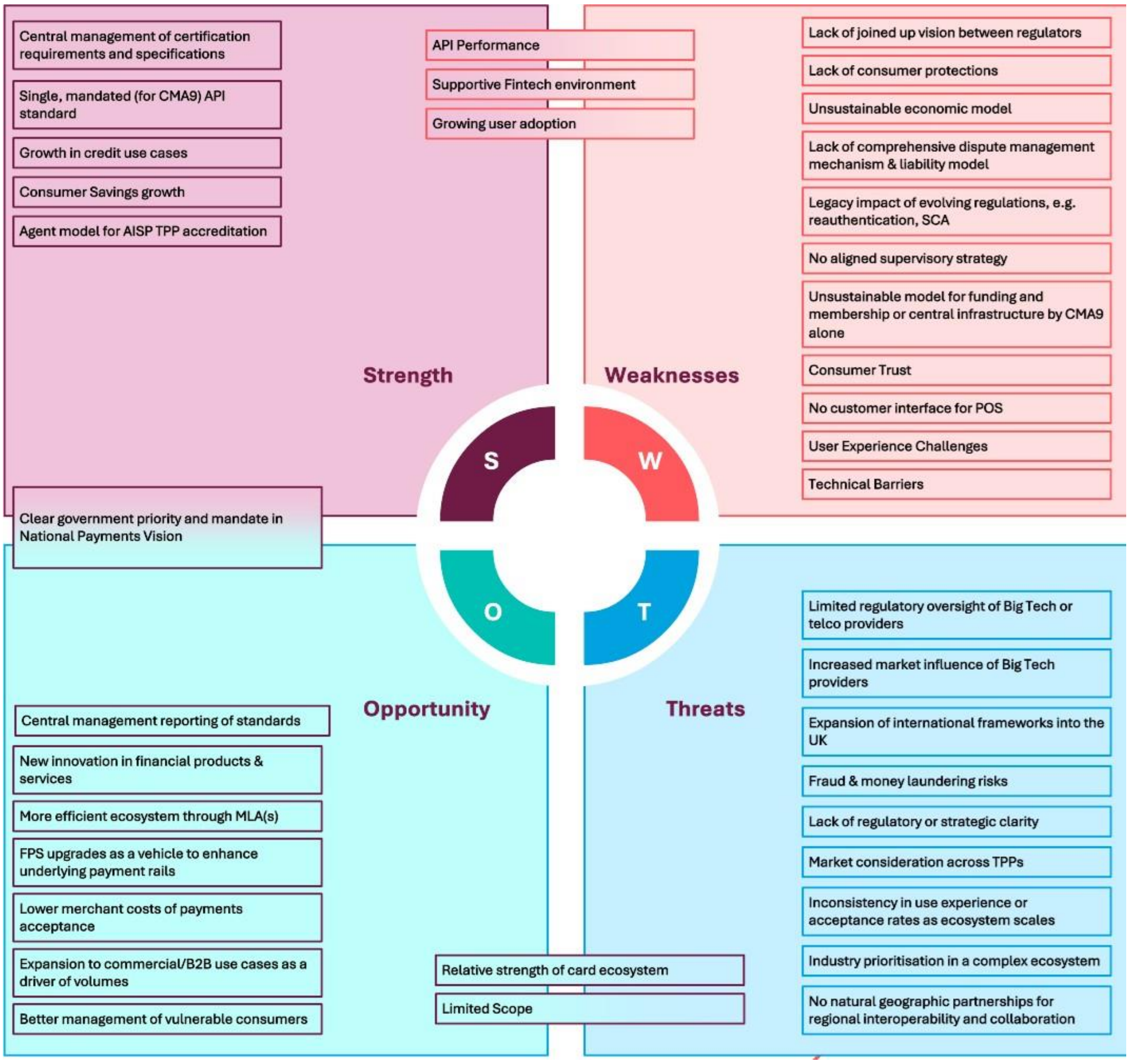
- **Market transformation**: Open banking can reshape the financial landscape by offering more competitive fee structures, reducing operational costs, and enhancing consumer experience, particularly for SMEs and merchants.
- **Export-led growth and innovation**: By improving the use of financial products and enabling new services, open banking can unlock innovation and support export opportunities beyond domestic efficiency gains.

Threats: Barriers to Scale and Adoption

Several external and systemic risks could limit the future impact of open banking:

- **Legacy systems and data fragmentation**: Outdated infrastructure and inconsistent data standards may hinder scalability and interoperability.
- **Limited consumer awareness**: Without increased public understanding and engagement, adoption may remain slow, reducing the reach and impact of open banking innovations.

Figure 2: Current state SWOT



International Context

Comparison of the UK's progress in open banking in an international context, noting that the UK's adoption rate surpasses that of many comparable European markets where open banking had been largely regulatory driven, underscores that the UK is not alone in its open banking ambitions. It is part of a rapidly expanding global movement toward data-enabled financial services.

To date, over 80 countries around the world have implemented some form of open banking, with the global open banking market projected to reach a valuation of USD 122 billion by 2031, growing at a compound annual growth rate (CAGR) of 24.2% during the forecast period (2023 – 2031) [5]. These figures highlight the scale and momentum of open banking worldwide, reinforcing the strategic importance of the UK's continued leadership in this domain.

[5] UK Market Insights (2024), UK Open Banking Market Size & Outlook, 2030, [online]

Next steps and forward look of open banking

2025 was earmarked as a pivotal year for open banking in the UK. With the completion of the Competition and Markets Authority (CMA) Roadmap and the transition to a Future Entity underway, momentum is building around the development of a Long-Term Regulatory Framework. The Data (Use and Access) Act (DUAA) plays a pivotal role in supporting these efforts, laying the legislative foundation for a more dynamic and secure data-sharing environment.

The full potential of open banking is, however, still untapped and there is high potential for the future regulatory regime introduced through the DUAA to promote growth and adoption. The UK set the pace with a bold regulatory framework that laid the foundation for innovation in open banking. To maintain this momentum, there is a need for a renewed vision – one that adapts with shifting market dynamics, rising consumer expectations, and the evolving global landscape.

To do so, a clear and coordinated strategy is required, shaped across four key areas – standards, commercial models, consumer protection, and public trust. As the lead regulator, the FCA can support and coordinate future developments through a unified governance structure, recognising that industry also plays a pivotal role in driving innovation and shaping the future of open banking and open finance. Further recommendations include engaging stakeholders in a refreshed vision, clarifying rules around data access and performance, building a consistent branding strategy, and designing a modern consumer protection framework. This change isn't just about regulatory reform. It highlights the need to consider how open banking can unlock growth, ensure fairness, and position the UK to shape the future of finance on a global scale, laying the groundwork for open banking to flourish and, eventually, evolve into open finance and broader smart data initiatives that empower individuals and drive competition.

4 Strategic Case for Open Finance

Potential benefits

In consideration of the overall benefits of open finance it was concluded that open finance presents a substantial opportunity for economic growth and innovation in the UK. The wide-ranging and transformational potential of open finance could contribute to economic growth. The economic reasoning for this comes from projecting the results of micro-level studies onto the overall economy.

Micro-level studies that have been published, such as those by Deloitte (2023)[6] and McKinsey (2021)[7], report that open finance can bring many benefits. The literature concludes that economic transformation requires not just access to data, but widespread, productive use of that data[8][9]. If that occurs, the overall benefits could follow.

Specifically, the implementation of open finance could drive improvements in productivity, foster increased competition, and improve financial management across both consumer and SME segments. By enabling personal data mobility, open finance can also attract investment and support the creation of new products and services, generating fresh revenue streams and reinforcing the UK's position in the global data economy. Through access to broader datasets, financial services have the potential to be tailored to underserved communities, enhancing financial inclusion and providing proactive support to vulnerable customers, creating a wider societal impact. Further, automation could assist organisations like debt advice agencies to help more clients, while consolidated views of financial products may help individuals simplify their financial management.

From an economic analysis of the overall benefits of open finance, findings are split into two categories: benefits to consumers and business users of open finance services, and to the businesses that will supply open finance services.

Benefits to consumers and business users

It was concluded that open finance offers a range of routes to better outcomes for consumers and significant opportunities for business users of financial services. The benefits to consumers arise not only through better prices and improved access to credit, but also through greater transparency, personalisation, and empowerment in the financial lives of individuals. For businesses, the benefits arise in similar ways, through improving access to credit, reducing administrative burdens, expanding the availability of tailored financial tools, and enhancing decision-making.

[6] Deloitte (2023), The Ecosystem Imperative: Digital Transformation of Financial Services and Moving from Open Banking to Open Data, [online]

[7] McKinsey & Company (2021), Financial Data Unbound: The value of Open Data for Individuals and Institutions, [online]

[8] Bank of England (2024), Customer Data Access and Fintech Entry: Early Evidence from Open Banking, [online]

[9] OECD (2023), Open Finance Policy Considerations, [online]

Transparency could improve outcomes for consumers by enabling consumer access to more personalised and effective financial advice, offering the possibility of tailored advice that better reflects an individual's actual financial behaviour and needs. Further, it can empower consumers as they must actively consent to data sharing. This could reinforce a sense of agency and trust in financial data usage. Open finance could also enable consumers to view their overall financial position holistically. For businesses, transparency can lower cashflow planning costs by automating aspects of this or extend the availability of financial services to these firms. By streamlining processes such as budgeting, financial planning, and visibility of their financial position, firms can make better decisions.

Through personalisation and tailoring of financial services, consumers can access greater product choice, price competition and switching, as well as access to innovative new financial services and tools. Greater visibility of available products could help consumers switch to better-value options and stimulate competition among providers. It could also enable individuals to more easily identify which offerings best suit their specific financial circumstances. Similarly for businesses, they will be able to compare and switch financial products more easily, and utilise smarter tools for planning, risk management, and investment.

Finally, open finance may enable lenders to better assess creditworthiness, reducing the degree of mispricing in lending markets, and improving the targeting of credit limits and repayment terms. For consumers, this means that loans and credit facilities may be offered at more appropriate interest rates and on fairer terms. These improvements could result in lower borrowing costs, reduced default risk, and more sustainable household financial management. Further, this could bring underserved or vulnerable individuals into the financial system by allowing alternative forms of data to support creditworthiness assessments. For businesses, a longstanding challenge in SME finance is the difficulty of assessing credit risk accurately. Open finance has the potential to mitigate at least some of these difficulties by allowing lenders to access richer financial data.

Benefits to suppliers of financial services

Findings also suggest that open finance offers substantial potential benefits to financial services suppliers. These gains arise from new commercial opportunities, operational efficiencies, and strategic positioning in a global shift towards more open and data-rich financial ecosystems. While these benefits may cause some firms to lose market share or face downward pressure on margins, the overall opportunity for forward-looking suppliers is considerable.

For example, automation of processes has the potential to lower operational costs by reducing the need for manual data collection or document review. This could lead to easier market entry for new innovative providers as there is a reduction in informational advantages held by incumbents. These new firms, with potentially new business models, may see new revenue opportunities which can feed through into improved sector dynamism and ultimately increase the UK’s competitiveness.

Global Open Finance Infrastructure Benchmarking

As open finance continues to evolve globally, benchmarking international infrastructure offers a valuable strategic lens. This comparative analysis has the potential to not only support smarter design and regulatory calibration but also explore pathways to accelerate innovation, enhance interoperability and improve consumer outcomes, assisting the aim of designing a secure, inclusive and globally connected open finance ecosystem.

It was found that, across the world, jurisdictions are exploring varied approaches to open finance, with data reciprocity emerging as a common theme – though no jurisdiction has yet fully resolved its implementation.

Most countries in the benchmarking comparison have adopted a centralised API design approach to open finance infrastructure implementation, where detailed API technical standards are designed by a central body in combination with a common set of centrally published API interface definitions. Only two regions, the European Union and Hong Kong, have adopted a decentralised API design approach where the technical detail has been left to the market.

A more centralised approach would appear to have greater benefits. However, there is a notable trade-off between the centralised benefit of a single, interoperable ecosystem versus the potential for innovation and competition in a decentralised system. Ultimately, comparison suggests that the best approach for a particular jurisdiction may depend on the specific context and priorities of its open finance ecosystem.

Table 1: Key International Takeaways

Jurisdiction	Key Use Case	Reciprocity Approach	Technical Architecture
Australia *Consumer Data Right (CDR)*	Mortgage data sharing	Intended reciprocity across sectors; deferred due to complexity.	Open Source API standards evolving; realignment expected over time.
Brazil *Open Finance Framework*	Broad financial data sharing	Mandatory for top-tier firms; voluntary for others incentivised by access.	Centralised API design with automated performance reporting.
Mexico *Fintech Law*	Data exchange among financial institutions	Reciprocity among financial entities; excludes Big Tech/e-commerce.	API architecture details not centralised; broader coverage limited.
European Union *General Data Protection Right (GDPR) & Digital Markets Act (DMA)*	Data portability across sectors	Legal right exists; lacks real-time/API standardisation.	Moving toward harmonised API design to address fragmentation.

Canada *Open Finance Framework*	Consumer-permissioned data mobility	Equal obligations for accredited participants.	Framework under development; aligned with Digital Charter.
UAE *API Hub Model*	Ecosystem performance monitoring	Centralised data collection via API gateway.	Direct network-level reporting, similar to card schemes.
US *Decentralised Model*	Establishing the ecosystem through commercial data-sharing agreements	All decentralised.	Fintech aggregators facilitate API access between financial institutions.

Table 1 highlights how international models can inform UK thinking by serving as reference points for strategic and technical considerations in shaping open finance. The following takeaways were also highlighted from international benchmark analysis as opportunities for the UK:

- **API security evolution:** The widespread adoption of Open Source protocols like FAPI present an opportunity for the UK to stay at the forefront of secure data sharing. As global standards evolve, there is potential for the UK to realign and modernise its implementation across ASPSPs, enhancing consistency and resilience.
- **Performance reporting:** Advancements in centralised API ecosystems globally highlight the opportunity for the UK to explore more automated, real-time reporting mechanisms. Transitioning from manual submissions could improve data reliability and support more dynamic oversight of ecosystem performance.
- **Consent and certificate management:** The UK's centralised API design and hybrid consent model offer a strong foundation for interoperability. There is scope to build on this by exploring innovative approaches to consent and certificate management that balance consistency with flexibility for market participants.
- **Interoperability trends:** As other jurisdictions streamline their security protocols to enhance interoperability, the UK has an opportunity to assess and adapt its own framework. Doing so could simplify integration for data-holders and TPPs, while supporting a more cohesive and scalable open finance ecosystem.

Findings also highlight that industry-driven decentralised models, such as the US', encourage commercial innovation through bilateral agreements and competitive API design. This innovation has catalysed adoption but leads to some quasi-monopolies. Studies by the US CFPB (2024)[10] also note that this system has data quality inconsistencies, poor auditability, and opaque pricing. The lack of regulated access can result in high integration costs and uneven consumer protection. Additionally, data hoarding by incumbents and data reselling by aggregators have raised concerns about privacy and accountability.

Australia's Consumer Data Right (CDR) mixed model – combining free access to core data with monetisation of value-added services – has been highlighted as a potential blueprint for balancing innovation incentive with baseline protections. Emerging consensus in the literature suggests that these 'hybrid structures' may offer an optimal

[10] CFPB (2024), CFPB Launches Process to Recognize Open Banking Standards, [online]

path forward[11][12]. However, uptake has been limited in some cases, underscoring the importance of technical standardisation, cost-sharing mechanisms, and carefully phased rollouts to ensure success.

Market-led pricing models, as seen in the US, correct asymmetry by allowing banks to charge for data access[13]. However, these models have their own drawbacks – they can cause affordability barriers for data using firms, creating a barrier to entry and increasing the cost of end-user services.

The EBF (2022)[14] notes that the Payment Services Directive 2 (PSD2) framework allows divergent implementation across the EU, which has hindered cross-border interoperability and reduced the effectiveness of competition. Market-led solutions – such as Plaid in the US[15] – can, in principle, address interoperability challenges through private initiatives. However, persistent regulatory uncertainty may deter such solutions from scaling.

[11] European Commission (2023), Modernizing Payment Services and Opening Financial Services Data: New Opportunities for Consumers and Businesses, [online]

[12] Future of Privacy Forum (2022), Developments in Open Banking: Key Issues from a Global Perspective, [online]

[13] We describe the institutions here as 'data holders'.

[14] European Banking Federation (2022), EBF Response to European Commission's Call for Evidence on an Open Finance Framework – Enabling Data Sharing and Third-Party Access in the Financial Sector, [online]

[15] Sullivan (2025), What is open banking? A guide to the future of finance [online]

5 Considerations for Progress - Open Finance

Potential Open Finance Implementation Risks and Mitigations

1. Unlocking consumer trust and engagement

Consumers' trust and awareness are foundational to the success of open finance. While some individuals – particularly those less digitally literate – remain cautious about sharing financial data with third parties due to privacy concerns, this presents a strategic opportunity to increase trust and awareness through enhanced data-protection in the smart data space, transparent consumer journeys, ownership of data, standardising consent and redress processes, and requiring clear disclosure of how data is shared and monetised.

These risks will likely rely mainly on market-based solutions. This is because the innovative ecosystem actors will have the incentives to convince consumers of the value of open finance and to overcome current inertia. One option for the role of the regulator would be to provide a robust regulatory environment that gives different actors the right incentives and protects consumers where there are problems.

2. Driving business adoption and confidence

For businesses, particularly SMEs, uncertainty around the return on investment from open finance tools and legacy infrastructure challenges may hinder adoption. Competing priorities often prevent firms from investing in new infrastructure, presenting opportunity to showcase measurable outcomes to encourage adoption. Concerns over liability, fraud, and compliance may also deter data sharing. This could be resolved in a number of ways including in implementing standards and guidance to help build confidence and encourage participation. Without clear commercial benefits or technical support, smaller firms may be left behind, creating uneven adoption across the market.

Articulating the clear tangible benefits in areas SMEs show interest in, such as enhanced financial management tools or personalised credit scoring and automated insights, could potentially drive adoption. Clarifying who is liable for the data at each stage and ensuring those liable have adequate cyber-security, as well as setting API performance standards, and the requirement of fair and non-discriminatory access to data for smaller firms could also further drive adoption.

3. Enabling regulatory coherence

There could be a need for a unified framework in open finance seeing expansion in to sectors like pensions and insurance introduces multiple regulatory bodies that may not be fully aligned on priorities and objectives for open finance.

This fragmented oversight risks inconsistent rules which could slow progress. To mitigate this risk, early alignment among key regulators – such as the FCA, PRA and Pensions Regulator – is key, as collaboration will be needed to ensure coherence across open finance and support scalability.

4. **Commercial incentives and data reciprocity**

To ensure that commercial incentives are designed well and in line with principles of data reciprocity, the incentive structure should be designed in a fair and motivating way to encourage participation and investment in open finance infrastructure. As such, this presents a strategic opportunity to align commercial interests with consumer benefits.

This approach has the potential to motivate incumbent institutions to actively participate in the ecosystem beyond the level expected by regulators, and to balance data access between different ecosystem actors and potential new entrants within Big Tech.

5. **Overcoming technical and operational barriers**

Technical challenges remain, particularly outside the banking sector. These include latency issues that degrade user experience, undefined legal systems, a lack of external-facing APIs among many firms, and high costs associated with modernising technology. Smaller institutions may struggle without centralised support, and cyber security risks increase as data access expands.

Addressing these infrastructure gaps – through regulation of common standards, industry-wide agreements, as well as utilising industry bodies to maintain schemas – will be essential for uptake and trust.

6. **Managing systemic risks and ensuring network resilience**

Open finance relies on broad, coordinated participation to succeed. High-speed switching tools could destabilise financial flows if not properly managed, where one solution could be regulatory safeguards that may slow innovation. Open finance’s network-level nature means that progress depends on the slowest participants – if only a few firms expose APIs, the ecosystem cannot thrive.

These risks could be addressed through the several solutions including, prudential oversight strategy. This can include stress-testing, limits on “instant switch” functions, and creating incentives to ensure consistent rollout and avoid fragmented adoption. However, there is a trade-off here as these will delay some innovations.

7. **Infrastructure and investment needs**

The importance of central investment in shared infrastructure, interoperability and oversight systems should also be a consideration. A sustainable funding model – possibly industry driven or supported by regulators – is suggested for open finance to gain momentum. Lessons learned from initiatives like the Pensions Dashboard show that early investment and alignment can pay dividends in adoption and impact.

Key System Developers

As well as identifying specific potential risk areas and policy mitigations, consideration of enablers that may be relevant when considering the development of a future open finance strategy is required. These include fostering cross-sector co-ordination and collaboration and industry leadership, drawing lessons from open banking implementation, considering commercial incentives and recognising the need to reflect the diverse priorities of stakeholders across the open finance ecosystem.

There is broad recognition of the importance of identifying and prioritising use cases and sectors that reflect genuine market needs and deliver tangible value, such as having a data-informed approach with industry collaboration on shared principles.

This context gives rise to key thematic areas for future consideration:

Sustainable commercial models: Exploring how open finance could support innovation and competition through commercially viable models, with consideration for how incentives could be structured across the ecosystem.

Emerging technologies: Assessing the potential impact of technologies such as AI, digital wallets and Big Tech platforms on open finance implementation, and the importance of interoperability across systems.

Consent dashboard and wallet integration: Considering the role of standardised consent mechanisms and the feasibility of aggregated dashboards to enhance consumer understanding and control, particularly in relation to wallet integration and app-based services.

Digital ID infrastructure: Examining how digital ID infrastructure might interact with open finance, including how identity verification could support scalability, security, and financial inclusion.

Glossary of Terms

Account Information Services (AIS)

- Services that allow third-party providers to access a user's bank account information with consent.

Application Programming Interfaces (APIs)

- Software interfaces that allow different systems to communicate with each other. In finance, APIs enable secure data sharing between banks and third-party providers.

Account Servicing Payment Service Providers (ASPSPs)

- Banks or other institutions that hold customer accounts and provide access to them via APIs under regulations like PSD2.

Data Reciprocity

- The principle that data sharing should be mutual and equitable, ensuring that all parties benefit from access to data, especially in open finance ecosystems.

Digital Wallets

- Electronic devices or software that store payment information and allow users to make transactions digitally, often via mobile apps.

Financial-grade API (FAPI)

- A security profile developed by the OpenID Foundation to ensure APIs used in financial services meet high standards for authentication and data protection.

Open Source

- Software whose source code is freely available for anyone to use, modify, and distribute.

Payment Initiation Services (PIS)

- Services that allow third-party providers to initiate payments directly from a user's bank account.

Payment Services Directive 2 (PSD2)

- An EU regulation that promotes innovation and competition in financial services by mandating secure access to customer account data via APIs.

Randomised Controlled Trial (RCT)

- A research method used to evaluate the effectiveness of interventions by randomly assigning participants to treatment or control groups.

Smart Data

- Data that is shared in a structured, standardised, and secure way, enabling consumers to switch providers or access tailored services more easily.

Small and Medium-sized Enterprises (SMEs)

- Businesses with limited scale in terms of employees and revenue. They are often a focus for financial inclusion and innovation in open finance.

Theory of Change

- A strategic planning tool that outlines how and why a desired change is expected to happen, mapping inputs, activities, outputs, and outcomes.

Third Party Providers (TPPs)

- Entities authorised to access financial data or initiate payments on behalf of users under open banking regulations.

Variable Recurring Payments (VRPs)

- A type of payment that allows users to authorise third parties to initiate recurring payments with variable amounts and frequencies, offering more flexibility than direct debits.

12 Endeavour Square, London E20 1JN
Telephone: +44 (0)20 7066 1000 Website: www.fca.org.uk