



LESSONS FROM
LONDON

caspian:one

OPEN BANKING

Open Banking is about putting consumers at the heart of their money.

It is an enabler, designed to bring more competition and innovation to the financial services industry via Open API standards; granting consumers with more financial controls, greater access... and smarter, data-tailored financial solutions.


Today, the UK is the recognised leader in terms of Open Banking adoption.

It started with a report published by the UK Competition and Markets Authority (CMA) in 2016, which determined that the 9x largest banks (known as the CMA9) were operating in a monopoly-like fashion, with minimal competition for customers.

This was preventing new and innovative third-party providers (TPPs) from accessing the market; reducing the amount of choice and control people have over their money.

In response, the UK Government ruled that the CMA9 must allow licenced TPPs access to their data via a single security protocol.

This new Open Banking ecosystem, governed by the Open Banking Implementation Entity (OBIE) - is allowing consumers to share transactional data securely, with authorised third parties.

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- Over 70 Banks participating
 - 300+ FinTech's (TPPs) live
 - Close to 1 Billion API calls/Mo
 - Payment initiation growing rapidly
 - Hundreds of SMB FinTech's waiting to go live or working with large FinTech's

WHAT HAS HELPED UK ADOPTION?

Market collaboration, driven from the top.

Regulated mandate ownership, clearly defined by the OBIE (Open Banking Implementation Entity). Everybody signed up to the implementation, where mandates control the consistency of implementation and a roadmap for future enhancements.

The central point of participant management.

A directory was established that ensures all parties register and share their information. This directory provides the trust framework and security methodology necessary and drives adoption through contact. It means FinTechs can easily find Banks and consistently begin technical comms/processing without the need for direct liaison or specialist handling.

A set of specifications that everyone involved follows.

A standard set of functionality - (OB spec, not PSD2 guide), customer experience guidelines (CEGs) and secure customer authentication (SCA). This drives customer consistency in their journey's and secure processing from a liability perspective (customer consent). It also means everyone builds to the same specifications with minimal variation.

Interoperable components are used by all parties.

Mandating the majority of the specifications has meant that all parties can build to the same delivery. Also, TPPs can build business propositions based on a consistent set of data or instructions. This has itself, driven greater interoperability between all parties.

In addition to the above adoption mechanics you also need:

Seamless integration

- FinTechs/TPPs need to be able to register with the market authority, easily
- Be able to seamlessly integrate with Banks in a standard way (all the same)
- All information to allow this to happen should be shared with all parties from a central point

Quick time to market

- Integration and connection to Banks must be quick to market
- It should not take 6-9 months to build a banks Open Banking construct
- Neither should it take 6 months to build a framework from which to operate as a FinTech/TPP

Cost-effectiveness

- Spending excessive money on the development of an infrastructure of which to build innovation, will not drive innovation
- Getting all parties to develop the non-competitive components is key to success. This can be done by sharing costs rather than burdening each organisation with the same costs.

STUDYING THE UK, THERE ARE LESSONS TO BE LEARNED AND EMBRACED

Seamless integration: What happened | Resolution

- Only 4 of the 80+ banks had a seamless integration process,
- integration was therefore a challenge on a case by case basis.
- Data was missing from the Directory. Functionality and discrepancies between testing and production systems also existed,
- All causing a real headache for TPPs. Many give up and join a large API provider that has done the work already.
- This hampers Innovation as full control is not with the FinTech and there are charges for non-competitive software
- Create a Market Directory that is signed up to, centrally controlled and strictly managed so ALL parties have all the information available to integrate. This has to be consistent and all Banks support the same onboarding mechanisms as part of the market specification.
- We mean technically, dynamically integrate without manual intervention

Time to market: What happened | Resolution

- Every Bank has to build/buy its own solution and integrate into their back end systems. While the integration is unavoidable, the 'front door' and Open Banking processing can take 6-9 months to build, for each Bank or provider.
- This has caused delays to many Bank implementations.
- Similarly, the same goes for FinTech. Every FinTech needs a TPP framework (which is non-competitive).
- Due to build time and its complexity, the UK has made this a competitive product which, in our opinion is wrong and goes against the object of Open Banking.
- Provide each party (Bank and FinTech/TPP) with a compliant module that can be integrated into their systems.
- This is offered as part of their registration scheme. As we know it works and is interoperable, it will reduce the time to market for all parties and will encourage innovation of products quicker.

Cost-effectiveness: What happened | Resolution

- An incredible amount of money has been spent to deliver the frameworks in which to innovate. It can't be right if each Bank spends upwards of £1M just to open the data to the market.
- Similarly, every FinTech needs to build a framework that takes months of development. Many just give up and decide to work with someone who's already built one; but that costs money and the charges are penalising success.
- The market should provide all the interoperable system components. These are not competitive.
- When you sign up you get the option to purchase the appropriate model at a standard fee - or, you can choose to build yourself, to the specification.
- TPP framework modules, by design, work with the directory and seamlessly integrate to the Banks module - which is also interoperable.
- All modules are fully functional, maintained and managed centrally. All at an effective cost for each participant, providing the market coverage and cost reductions.

Caspian One are one of the only companies in the world that can bring all the right partners together - to make in-market Open Banking organisation happen.

We have resources available to assist in the definition of Open Banking specifications and customer experience guidelines. Additionally, we have a team ready to take control and govern the market, on behalf of the Regulator and Financial Institutions.



In-market Open Banking organisation delivers,

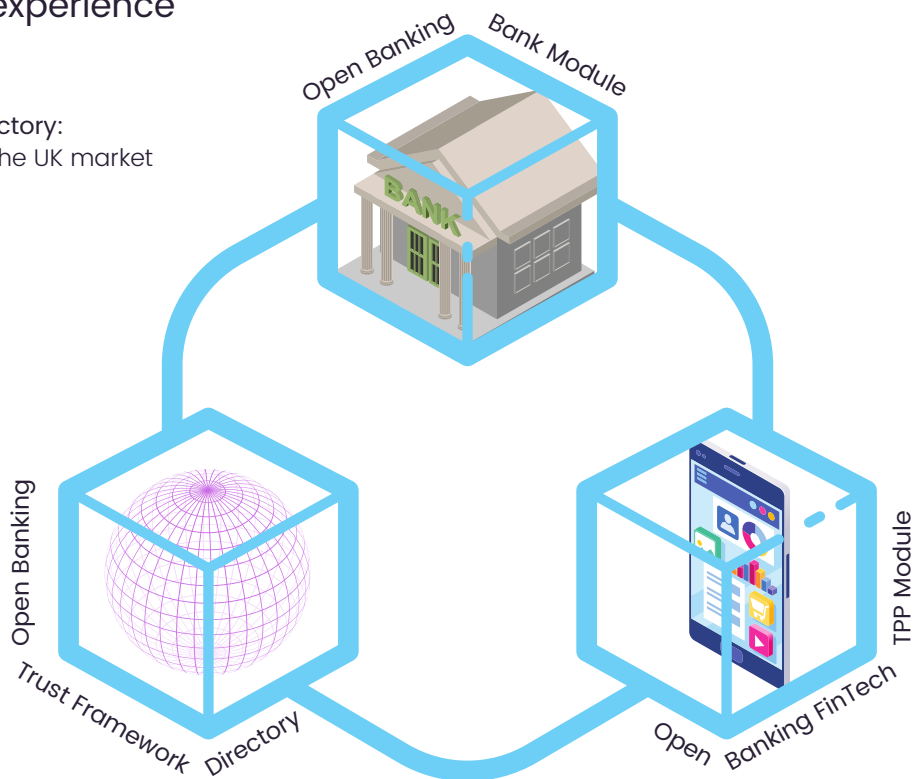
- An Open Banking specification
- Customer experience guidelines
- The trust network and directory services
- Non-competitive maintained modules:
 - FinTech/TPP framework module
 - Bank framework module
- Assistance to install and manage modules within the appropriate organisations

We come with pedigree, experience and working solutions,

Open Banking Trustframework & Directory:
Built and ready to go; our team built the UK market directory

Open Banking Bank Module:
Build and ready to go

Open Banking FinTech/TPP Module:
Build and ready to go



For more information on Open Banking, lessons from London and our services, contact:

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