

# Recommendations for the next phase of open banking in the UK

**Joint Regulatory Oversight Committee**

17 April 2023

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# 1 Executive summary

- 1.1** Open banking is a secure way for consumers and businesses to give regulated third-party providers (TPPs) access to their payment account data and to initiate payments. Open banking has come a long way since the conclusion of the Competition and Markets Authority's (CMA) retail banking market investigation in 2016, the introduction of the Retail Banking Market Order 2017 (CMA Order), and the implementation of the Payment Services Regulations 2017 (PSRs 2017). The UK pioneered open banking and established itself as a leader in the field. We are now taking the next step on the UK's open banking journey.
- 1.2** Today, in the UK, **over 7 million consumers and businesses (of which 750,000 are small to medium-sized enterprises (SMEs))** are using innovative open banking enabled products and services to manage their money and to make payments. **Open banking payments** have more than doubled, with over 68 million open banking payments in 2022 (up from 25 million in 2021) and over a billion successful Application Programming Interface (API) calls a month (since May 2022). The UK fintech sector is successfully leveraging open banking technology, contributing to the UK's leadership in innovation and providing tangible benefits to consumers and businesses. Open banking helps users make better-informed decisions and improves access to financial services. It also facilitates the creation of new products and services that benefit consumers, including those in vulnerable circumstances, and offers a greater choice of payment methods.
- 1.3** Open banking enables consumers and businesses to provide TPPs with secure access to their payments account. Based on the access to data that is shared under the customer's explicit consent, these TPPs are then able to provide end users (i.e., consumers and businesses) with value-added services and products that save time and money. Open banking also enables consumers and businesses to initiate payments through these TPPs from their payment accounts without the use of cards. Consumers' and businesses' payment accounts are held by account servicing payment service providers (ASPSPs).
- 1.4** The UK's approach mandating all ASPSPs to provide access to TPPs and enforcing a single open banking standard for the largest ASPSPs through an implementation entity has allowed the ecosystem to overcome challenges faster than in other jurisdictions, establishing the UK's international standing as a leader in open banking. While significant progress has been made, there is more to be done to deliver the full benefits of open banking within retail banking markets, and beyond.
- 1.5** The Joint Regulatory Oversight Committee (the Committee), comprising the Financial Conduct Authority (FCA) and the Payment Systems Regulator (PSR) as co-chairs and the Treasury and the Competition and Markets Authority (CMA) as members, was established in March 2022 to design and oversee the next phase for open banking. The Committee is committed to enabling open banking to thrive, building on this success and moving open banking safely forward. This report sets out the Committee's views and recommendations, and the joint actions required to successfully transition to the next phase of open banking and maintain the UK's international leadership.

## Vision and objectives

- 1.6** For open banking to successfully move to a new phase – one offering more products and services – the ecosystem needs to scale and become more economically sustainable, while remaining reliable, resilient and efficient. In practice, this means creating an ecosystem that, through industry action and strong regulatory direction, builds commercial arrangements that are fair and proportionate for a multitude of new products and services with a broad-based and equitably funded open banking entity. While the existing baseline, of regulatory-led free access, has been and remains pivotal to democratising access to data as well as to supporting innovation and competition, a new phase is needed to allow the ecosystem to scale.
- 1.7** We have identified three priorities to deliver our vision, namely:
- to establish a sustainable and competitive footing for the ongoing development of the open banking ecosystem so that it can grow beyond the current functionalities and bring further benefits to end users
  - to unlock the potential for open banking payments
  - to adopt a model that is scalable for future data sharing propositions
- 1.8** This vision will take time to deliver and will require joint efforts from regulators, ASPSPs, TPPs, the Open Banking Implementation Entity (OBIE), the subsequent future entity, consumers, businesses, and other stakeholders. To deliver our vision and the three priorities identified, we set out a roadmap of 29 actions in this report. The actions and activities set out in this report should be completed in step changes and over the next two years (see [figure 1](#) on page 7). They will lay the foundations for our vision to be fully delivered when the government establishes the long-term regulatory framework for open banking.
- 1.9** Success will be measured through greater innovation, lower prices or costs and improved quality of services through competitive pressure being exerted across the sector. We will also measure success through the growth of the ecosystem (including the number of products and services offered), the increased use of and reliance on open banking by consumers and businesses, the significant increase of total number of active users, and the overall growing investment in open banking. It will also be measured in terms of a low number of incidents and issues, the way in which those are resolved, and the scale of any resulting consumer loss. The development, functioning and take-up of a commercial framework will be another success measure.
- 1.10** In the next two years, we will also measure success through stakeholders' ongoing commitment and the delivery of the actions in this report, including the development, testing and piloting of a commercial model for open banking and the establishment of the future open banking entity (future entity).

## Design of the future entity

- 1.11** As highlighted by the Committee in its statements in [March](#) and [December](#) last year, subject to the CMA's consent, we expect open banking to transition from the current model, in which the OBIE is overseen by the CMA for obligations under the CMA Order, to an interim state, in which a future entity will be overseen by the Committee (in respect of non-Order activity) and by the CMA (in respect of the Order activity) prior to the establishment of a long-term regulatory framework for open banking. The interim state began in January 2023 when the CMA deemed the current Order implementation roadmap to be substantially complete and we expect the transition to the future entity to start later in 2023. The interim state will end when the long-term regulatory framework is in place.
- 1.12** The government is taking steps to establish the long-term regulatory framework as soon as parliamentary time allows. The long-term regulatory framework will set out the role of the Treasury and the respective roles that the FCA and PSR will have in providing oversight across the open banking ecosystem, including over the future entity. It will also set out the roles and obligations that firms and the future entity will play and have within the ecosystem.
- 1.13** The future entity will adhere to high standards of corporate governance, have a wide membership base underpinned by broad-based, proportionate funding and liability arrangements and ensure the needs of end users (i.e., consumers and businesses) are represented in its decision making. To ensure it can do this effectively, we will work with open banking participants over the next few months to undertake further analysis of the optimal structure, governance and funding of the future entity and the OBIE's transition to it.
- 1.14** Although we expect the transition to the future entity to start later this year, its successful completion will take time. To sustain momentum, we will not wait until the future entity is in place to unlock open banking's further potential. We expect the OBIE to undertake some of the non-Order activities outlined in this report (such as improving data collection for financial crime and API availability), alongside Order activities, until the new entity is in place. In this report, a phased roadmap outlines the actions that the Committee would like to see delivered ahead of the long-term regulatory framework being in place.
- 1.15** We have two immediate priorities: working with OBIE to establish alternative arrangements for non-Order activities; and finalising the design of, and begin the transition to, the future entity, including its appropriate corporate structure.
- 1.16** We will work with the CMA and the Trustee to design and establish alternative arrangements for non-Order activities within the OBIE as soon as possible in Q2 2023. This will, among other things, ensure the effective representation of end user interests.
- 1.17** We will also work with open banking participants over the next few months to undertake further analysis of the options for the structure, governance and funding of the future entity. This report contains an overview of the options currently under consideration and the further work that's necessary to enable us, with input from industry and other stakeholders, to finalise our detailed view on the design of the future entity and the OBIE's transition to it. We expect this analysis to be completed by Q3 2023.

## Future roadmap

**1.18** In addition to our immediate priority of establishing an economically sustainable future entity with effective governance – and to allow open banking to continue to develop ahead of the long-term regulatory framework being implemented – we have identified five themes that will be progressed in the next two years:

- levelling up availability and performance
- mitigating the risks of financial crime
- ensuring effective consumer protection if something goes wrong
- improving information flows to TPPs and end users
- promoting additional services, using non-sweeping variable recurring payments (VRP) as a pilot

**1.19** These themes build on the Strategic Working Group<sup>1</sup> (SWG) report, the Trustee End of Implementation Roadmap Report<sup>2</sup> and submissions and engagements from a significant number of stakeholders. The SWG highlighted that while there are various opportunities to expand open banking, there are different levels of ambition for the development of the open banking ecosystem and priorities for the future of open banking. The SWG helpfully identified areas of alignment as well as divergent views across stakeholders. It provided a clear summary of the priorities identified by different stakeholders which helped shape the actions we think should be taken forward.

**1.20** Our roadmap sets out a three-phased delivery approach, through which open banking can continue to evolve and grow in a sustainable way within the next two years, ahead of the long-term regulatory framework being established. This year, we will collectively improve visibility and understanding around the level of financial crime across the open banking ecosystem and the availability and performance of APIs across different ASPSPs. We will, in addition, improve the functioning of the ecosystem – for instance, by ensuring consistent error messaging – and enable us to better understand consumers’ concerns and possible future developments through consumer research. Next year, we aim to lay the groundwork for the end state by improving data sharing to prevent fraud and financial crime, supporting the development of commercial and liability frameworks and improvements in information flows to TPPs on API calls and payment messages. The following year we anticipate a sustainable commercial model will have been developed and piloted and new innovative business models will have been tested. Some of these actions may require the long-term regulatory framework and/or other regulatory intervention.

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1 <https://www.openbanking.org.uk/swg/>

2 <https://www.openbanking.org.uk/wp-content/uploads/FINAL-Trustee-End-of-Implementation-Roadmap-Report-30-January-2023-Final-Searchable.pdf>

**1.21** The roadmap is necessarily ambitious, but we believe it is achievable if stakeholders collaborate effectively. Alongside all Committee members, TPPs, ASPSPs, consumers, businesses, the OBIE, the subsequent future entity and other stakeholders will need to work together to deliver the actions set out in the roadmap. These actions will further strengthen the ecosystem. They will need to ensure it is resilient, economically sustainable, efficient, and scalable to promote new and innovative products and services, provide a greater choice of payment methods and support further data sharing propositions.

## Next steps

**1.22** The Committee will continue to work at pace to sustain and build upon the momentum in open banking. We will hold a webinar to summarise our proposals in May 2023 and will work with participants and users of the open banking ecosystem, by organising workshops and sprints where appropriate or by supporting stakeholders’ initiatives, to develop the design of the future entity, put it on an economically sustainable footing and establish an effective governance framework. In Q4 2023, we will use this input to set out a detailed plan for the future entity and the OBIE’s transition to it.

**1.23** In parallel, we will provide further guidance and set out the principles for engagement on the actions under the five themes identified in the roadmap. We will work closely with the OBIE and other stakeholders to progress the actions assigned to them and will publish terms of reference, where applicable, for the actions we are asking the ecosystem to develop proposals for. We intend to monitor progress against all actions in the roadmap regularly and will provide a first progress report in Q4 2023.

**1.24** Further progress on open banking can only succeed if the Committee, open banking participants and broader stakeholders, such as those representing consumers and businesses, work together to deliver the actions set out below:

**Figure 1: Open banking roadmap**

Theme	Actions	Owner	Delivery
<b>Levelling up availability and performance</b>	Design a data collection framework for API availability and performance and submit to FCA and PSR for approval	OBIE and ecosystem	Q2 2023
	Conduct the data collection and analyse data following FCA and PSR approval	OBIE	Q3 2023 (first collection)
	Consult, if needed, on changes requiring reporting additional data for API availability and performance	FCA and PSR	Q2 2024
<b>Mitigating the risks of financial crime</b>	Assess conformance with the FCA’s existing guidance in relation to payment limits	ASPSPs	Q2 2023
	Design a data collection framework for financial crime and submit to FCA and PSR for approval	OBIE and ecosystem	Q2 2023
	Conduct the financial crime data collection and analyse data following FCA and PSR approval	OBIE	Q3 2023 (first collection)

## Recommendations for the next phase of open banking in the UK

Theme	Actions	Owner	Delivery
	Implement the use of open banking based data sharing in Faster Payments to reduce fraud	OBIE and Pay.UK	Q4 2023
	Implement effective financial crime prevention tools for TPPs and ASPSPs (e.g., TRIs)	OBIE/future entity	Q1 2024
	Consider how API based data sharing can be broadened out beyond authorised push payment fraud and report findings to FCA and PSR	OBIE/future entity and Pay.UK	Q1 2024
	Consult, if needed, on mandating data sharing, the use of financial crime prevention tools (including data sharing) and/or additional tools or requirements for high value payments	FCA and PSR	Q2 2024
<b>Ensuring effective consumer protection if something goes wrong</b>	Perform a gap analysis of dispute processes	OBIE	Q4 2023
	Consult, if necessary, on additional dispute process or protection requirements in open banking	FCA and PSR	Q2 2024
<b>Improving information flows to TPPs and end users</b>	Perform a gap analysis of consistent and definitive payment statuses in Faster Payments and open banking	OBIE and Pay.UK	Q3 2023
	Consult, if needed, on changes to error codes requirements	FCA	Q4 2023
	Consider whether further alignment between open banking and Faster Payments error messages is needed	PSR	Q4 2023
	Consult, if needed, to require consistent and definitive messaging regarding payment statuses	FCA and PSR	Q2 2024
<b>Promoting additional services, using non-sweeping variable recurring payments (VRP) as a pilot</b>	Publish terms of reference for a working group on expanding VRP beyond sweeping use cases	FCA and PSR	Q2 2023
	Publish a discussion paper on principles for commercial frameworks for premium APIs	FCA and PSR	Q2 2023
	Draft a delivery plan and framework to enable a phased roll out of non-sweeping VRP	VRP Working Group	Q3 2023
	Consult, if necessary, on changes to Faster Payments to enable a phased roll out of non-sweeping VRP	PSR	Q4 2023
	Conduct consumer research to identify critical and future use cases and risks for (vulnerable) consumers	FCA and PSR	Q4 2023

## Recommendations for the next phase of open banking in the UK

Theme	Actions	Owner	Delivery
	Consult, if needed, on requirements to support non-sweeping VRP roll out and/or to adopt a wider multilateral agreement for premium APIs	FCA and PSR	Q2 2024
	Support testing of innovative data sharing, authentication and identification propositions	Ecosystem, future entity and FCA	Ongoing
	Implement a multilateral agreement or rulebook for premium APIs	Ecosystem	Q4 2025
<b>Finalising the design of the future entity</b>	Establish alternative governance arrangements for non-Order activities for the OBIE	FCA, PSR, CMA and OBIE	As soon as possible in Q2 2023
	Develop a market pricing framework for non-Order functionality	OBIE	Q2 2023
	Finalise the design of the structure, governance, and funding of the future entity	FCA, PSR, ecosystem	Q3 2023
	Expected start of the transition from OBIE to the future entity (subject to the CMA's consent)	OBIE, CMA	Q4 2023
<b>Across all themes</b>	<b>Publish a progress update and set out refined views on the design of the future entity</b>	<b>JROC</b>	<b>Q4 2023</b>

## 2 Vision for open banking

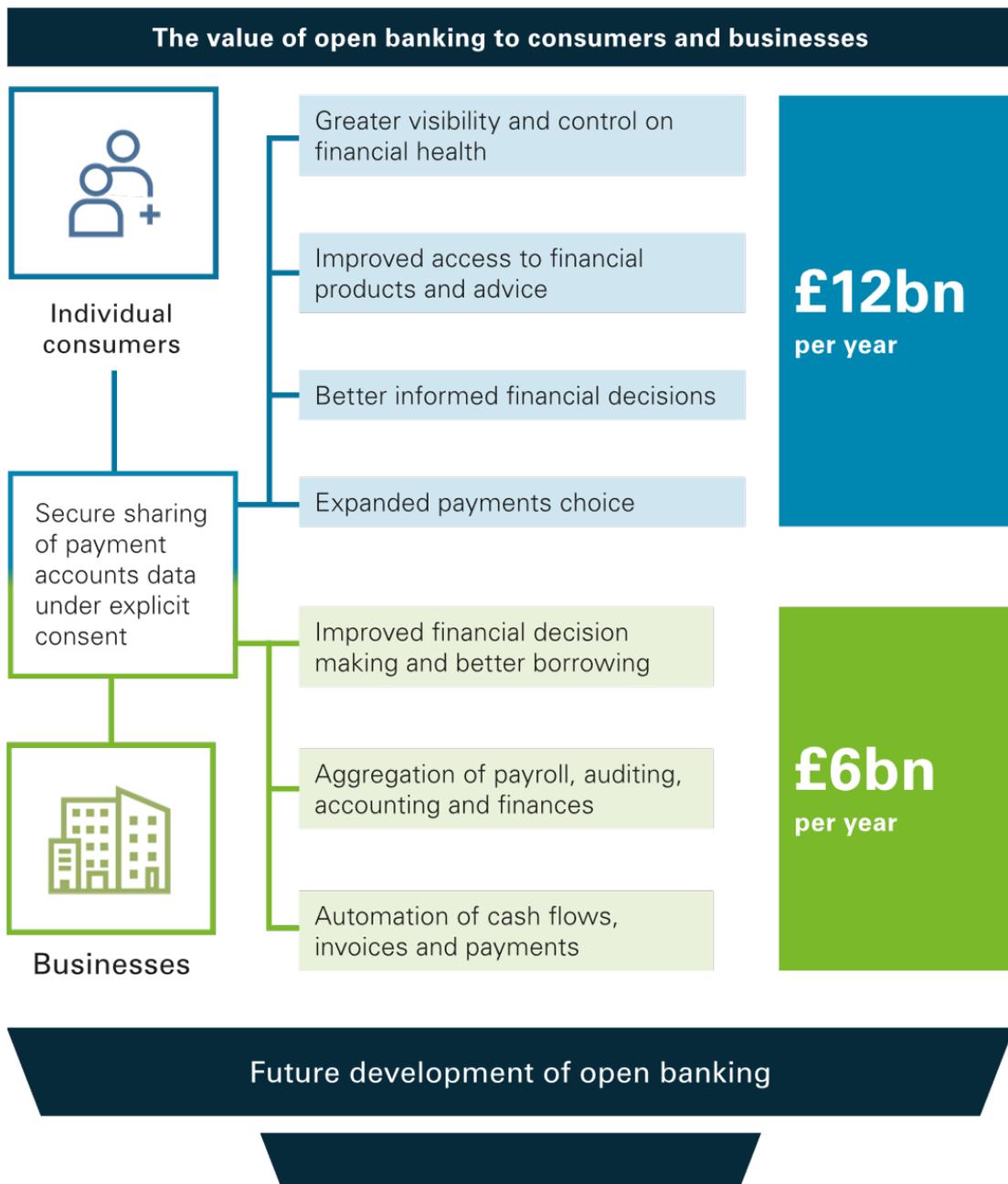
### Our vision for open banking

- 2.1** Open banking has a continuing role in promoting greater competition and innovation for the benefit of consumers, businesses, and the wider economy, as well as maintaining the UK's international competitiveness and leadership in the field. For consumers, open banking offers another way of making payments and provides a safe way to share data. This gives consumers control and helps them to make better financial decisions. Businesses benefit from additional functionalities and the benefits of competition, including potentially lower fees for payment acceptance and product innovation to cater to changing consumer needs.
- 2.2** Since the entry into force of the Payment Services Regulations 2017 and the CMA Order, open banking has progressed significantly. The UK pioneered open banking and established itself as a leader in the field. Today in the UK, over 7 million consumers and businesses, of which 750,000 are SMEs, use innovative open banking enabled products and services to better manage their money and to make payments. Open banking payments have more than doubled, with over 68 million open banking payments in 2022 (up from 25 million in 2021) and over a billion successful API calls a month (since May 2022).<sup>3</sup>
- 2.3** The UK fintech sector is successfully leveraging open banking technology, contributing to the UK leadership in innovation and providing tangible benefits to consumers and businesses. Regulation and effective oversight, including the requirement for the largest ASPSPs to build a standardised API (developed by the OBIE), have helped promote interoperability and consistent user experience, spurred on the provision of open banking enabled products and services by TPPs and ASPSPs, and contributed to establishing the UK's international standing as a leader in open banking.
- 2.4** While significant progress has been made, more needs to be done to deliver the full benefits of open banking within retail banking markets, and beyond, and maintain its international leadership.

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<sup>3</sup> Open Banking (2023) <https://www.openbanking.org.uk/news/uk-reaches-7-million-open-banking-users-milestone>

Figure 2: Value of open banking to consumers and businesses (2019)



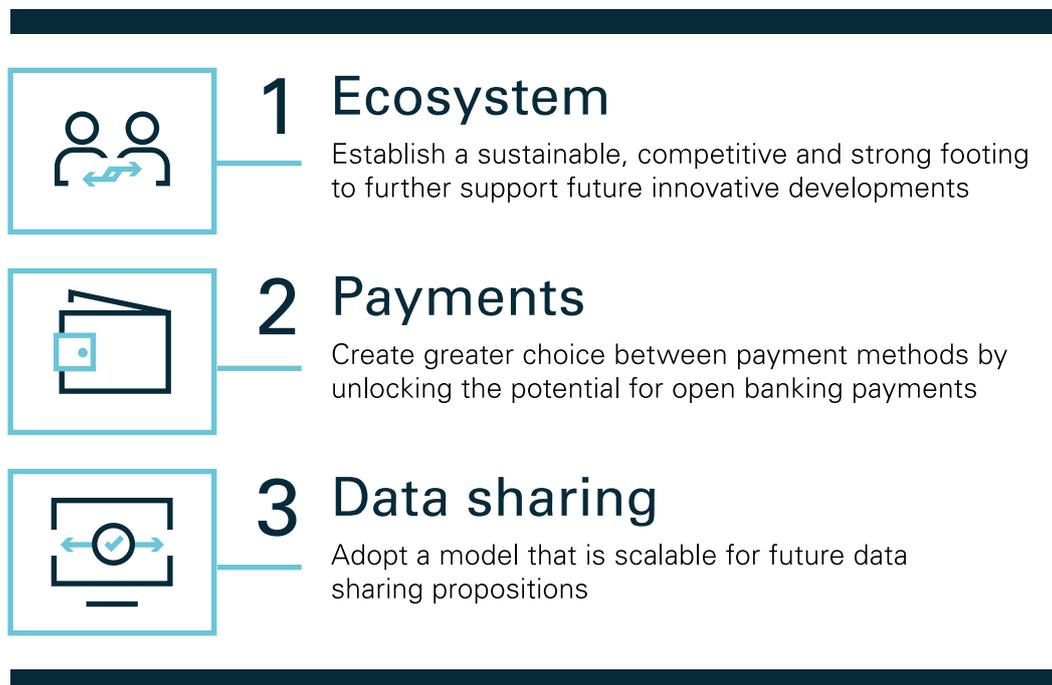
Scalability to future data sharing propositions to secure the full value of open banking to consumers and businesses

Source: Consumer Priorities For Open Banking (report written by Faith Reynolds, Mark Chidley, with Dominic Lindley, Andrea Finney and Daniel Jenkinson; published in June 2019)

- 2.5** The Committee will promote the further development of open banking in a resilient, scalable and economically sustainable way. Open banking should provide a platform that can be used to offer new functionalities and services such as non-sweeping VRPs, or combined data and payments offerings that consumers and businesses value and trust.
- 2.6** In the Committee's view, for open banking to successfully move to a new phase, in which more products and services that benefit consumers and businesses are offered, the ecosystem needs to become economically sustainable. In practice, this means creating an ecosystem that, through industry action and strong regulatory direction, builds commercial arrangements that are fair and proportionate for a multitude of new products and services with a broad-based and equitably funded open banking entity. While the existing baseline of regulatory-led free access has been and remains pivotal to democratising access to data as well as to supporting innovation and competition, a new phase is needed to allow the ecosystem to scale.
- 2.7** We will work with open banking participants to ensure that a sustainable economic model for open banking is in place by the time the long-term regulatory framework is established. This would, in time, enable the scope of open banking to expand to potential open finance initiatives from payment accounts to wider financial products.
- 2.8** In addition, the ecosystem must be reliable, resilient, and efficient, and its development must be supported by all those that use it. This ambition and vision will take time to deliver and will require joint efforts and collaboration from all members of the Committee, ASPSPs, TPPs, the OBIE, the subsequent future entity, consumers, businesses, and other ecosystem participants, such as Pay.UK. This report focuses on what needs to be done for this ambition to be fully delivered when the long-term regulatory framework is set up by the government.
- 2.9** In the long run, we will measure success by looking at the growth of the ecosystem, including the number of products and services offered, the increased use and reliance on open banking by consumers and businesses, the significant increase of total number of customers, and the overall growing investment in open banking. It will also be measured in terms of a low number of incidents and issues, the way in which those are resolved, and the scale of any resulting customer loss. Furthermore, we will measure success through greater innovation, lower prices or costs and improved quality of services as a result of competitive pressure being exerted across the sector.
- 2.10** Over the next two years, we will also measure success through stakeholders' commitment and the delivery of the actions in this report, including the testing and piloting of a commercial model, and the establishment of the future entity.

# Our priorities for open banking

**Figure 3: The Committee’s three identified priorities to deliver its vision**



## i. Ecosystem

- 2.11** Our first priority is to establish a sustainable and competitive footing for the ongoing development of the open banking ecosystem so that it can grow beyond the current functionalities and bring further benefits to end users. This means strengthening the foundation of the ecosystem and facilitating new commercial arrangements.
- 2.12** Stakeholders, through the SWG, the Trustee End of Implementation Roadmap Report, and other engagements have identified information gaps in terms of ecosystem performance that need to be addressed for open banking to grow and realise its full potential. Enhanced data sharing and collection is essential to address the gap and further support trust and confidence in the ecosystem. Collecting API availability and financial crime data by the future entity (to begin with) will help monitor and mitigate risks to businesses and consumers.
- 2.13** In order to encourage competition and innovation in a more sustainable manner, the ecosystem must encourage and facilitate new commercial agreements to emerge between participants, in which data holders can charge for access to premium APIs. This must be underpinned by updated infrastructure and API standards that extend beyond the existing scope. The ecosystem should also ensure that appropriate protections are in place in case something goes wrong. This will ensure that open banking develops in a way that promotes trust and safety. We expect the future entity, once established, and the OBIE until then, with appropriate oversight from the Committee, to play a major role in supporting this priority.

## ii. Payments

- 2.14** Our second priority is to unlock the potential for open banking payments, providing consumers and businesses with greater choice and better services when making payments. Open banking presents an additional payment method which has the potential to support a wider range of use cases.
- 2.15** One of our ambitions is to enable open banking payments to support retail transactions as an alternative to card payments. To do this, a commercially sustainable model and dispute resolution processes must be in place. By fostering innovation and driving competition in this way, businesses and consumers would benefit from improved customer journeys and lower costs.
- 2.16** Developing new payments functionalities featured prominently in the SWG discussions and our wider engagement, highlighting the opportunities presented by extending open banking payment capabilities. Several stakeholders highlighted the expansion of variable recurring payments (VRPs) to non-sweeping use cases as a development they were monitoring closely. This will be used as a pilot for future multilateral agreements containing clear pricing and dispute resolution principles.

## iii. Data

- 2.17** Data and data sharing is the cornerstone of open banking. Our priority of adopting a model that is scalable for future data sharing propositions includes both the secure collection and sharing of data. Collecting data is crucial for the smooth running of the ecosystem as it helps identifying and mitigating risks to businesses and consumers. Enhanced and safe data sharing can help create better and more tailored products for end users.
- 2.18** The importance and potential of further data sharing and collection was clear throughout engagement as part of the SWG sprints, the FCA Open Finance Policy Sprint and bilateral discussions.
- 2.19** Putting consumers at the centre, we are also considering ways to promote use cases and propositions that would create the most value to end users and businesses, particularly those with vulnerable characteristics. We are also looking at possible solutions to enhance visibility on data access and sharing as well as increasing cases where data access and sharing is complemented by payment transactions as part of a broader offering.

## Long-term regulatory framework

- 2.20** The Committee's aim to establish a sustainable, safe and scalable ecosystem for open banking will be underpinned by a long-term regulatory framework which provides clarity on the regulatory oversight over the open banking ecosystem and its participants.
- 2.21** The government is committed to creating a long-term regulatory framework to secure the existing achievements of open banking, unlock its future potential and ensure a sustainable economic model is in place. Here we set out the principles that will underpin that framework.

- 2.22** The current model, in which OBIE is overseen by the CMA for obligations under the CMA Order will transition (subject to the CMA's consent) to a sustainable long-term regulatory framework. In the Treasury's view this means that the FCA should regulate firms in relation to the provision of open banking services, including payment initiation and data sharing requirements, and the PSR should regulate the open banking services that relate to a payment system and participants in that payment system.
- 2.23** The government intends to create a smart data scheme under the Data Protection and Digital Identity (DPDI) Bill, currently progressing through Parliament and introduced on 8 March. The smart data powers constitute part 3 of the DPDI Bill. Under these powers, secretaries of state and the Treasury will be able to establish and mandate participation in smart data schemes via secondary legislation in the form of regulations. Regulations will specify which data holders fall within the scope of the scheme, what data they should share, and how they should share it. The government intends to use these powers to create a regulatory framework for data sharing in open banking.
- 2.24** The government's intention is that this will enable the Treasury to implement secondary legislation that would enable government to empower the FCA to oversee data sharing (read and write) requirements applying to firms who hold or receive data or offer services within the scope of a smart data scheme for open banking.
- 2.25** The government intends that the regulations made under the smart data powers will also specify the role of the future entity, the obligations that data holders and receivers will have in relation to the future entity (including, for example, obligations to fund and support future entity-led developments), and provide for effective regulatory oversight and intervention where appropriate.
- 2.26** In line with the government's wider approach under the Future Regulatory Framework Review, (planned) reform of the Payment Services Regulations using powers in the Financial Services and Markets Bill may also allow for existing data sharing and payment initiation rules to be amended by the FCA. This will ensure consistency with the future direction of open banking under the smart data scheme. It is the government's intention that these requirements will need a broader set of open banking data holders to at least meet the compliance standard that currently applies to the ASPSPs subject to the Order (thereby 'levelling up' the ecosystem).
- 2.27** The PSR already has oversight of payment systems designated by the Treasury, including Faster Payments, and participants in those systems. The government will ensure the PSR has oversight of new open banking services that are developed which meet the definition of a payments system or relate to an existing payment system. This will include, where appropriate, powers over the future entity in respect of its role in a payment system.
- 2.28** Effective coordination will be required between the FCA and PSR in the development and implementation of this long-term framework.
- 2.29** The government will set out in more detail its plans for a smart data scheme, including the role that it expects firms and the future entity to play, as the DPDI Bill progresses through Parliament.

## Interdependencies with broader developments

**2.30** The future of open banking is closely linked and correlated to, and will impact and be impacted by, broader initiatives in the regulatory space, in particular the possible future expansion of open banking into open finance, the development of the New Payments Architecture (NPA) and other innovations in financial services.

### i. Open finance and smart data

**2.31** In March 2021, the FCA published its feedback on the Call for Input for Open Finance<sup>4</sup> and has had engagement with industry bilaterally and through the FCA Open Finance Policy Sprint in October 2022.

**2.32** The Committee is working closely with the government to design the long-term regulatory framework for open banking so that it will be scalable to support potential future data sharing schemes. Doing this, we are considering the lessons learned from open banking so far and are looking how other countries have adopted data-sharing initiatives. We are also supporting government in their proposals for smart data legislation.

### ii. New Payments Architecture

**2.33** Open banking currently has a significant reliance on an underlying payment system, Faster Payments, to facilitate payments. This payment system is overseen by Pay.UK and regulated by the PSR.

**2.34** In 2015, the PSR set up a cross-industry forum, the Payments Strategy Forum, to identify, prioritise and help to deliver initiatives where it is necessary for the payments industry to work together to promote collaborative innovation. The Forum published recommendations for Pay.UK to replace Faster Payments with New Payments Architecture (NPA).

**2.35** The PSR will continue to monitor Pay.UK's work to deliver the NPA and aims to ensure that developments in open banking are compatible with the transition from Faster Payments to NPA. We expect that Pay.UK and the OBIE (and the subsequent future entity) will need to coordinate closely to consider open banking developments and how those impact the obligations Pay.UK puts on Faster Payments (and later NPA) participants.

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<sup>4</sup> FCA, *Feedback statement: Call for Input on Open Finance*, <https://www.fca.org.uk/publications/feedback-statements/fs21-7-open-finance-feedback-statement>, March 2021.

### iii. Other innovations and developments

- 2.36** The FCA and PSR monitor developments in the payments and retail banking sector through their horizon scanning work. The FCA also uses its innovation services to help firms navigate through the existing regulatory frameworks and develop and test innovative products and services, where new innovative business models and use cases with impact on open banking may be identified.
- 2.37** For example, the government, Bank of England, FCA, and PSR's work on stablecoins and digital assets, where regulatory proposals have been introduced, and development of technologies such as blockchain, as well as the possible development of a future central bank digital currency may have an impact on open banking as new payment methods or systems may be introduced as a result.
- 2.38** The Committee will continue to consider how these may impact and interact with open banking.

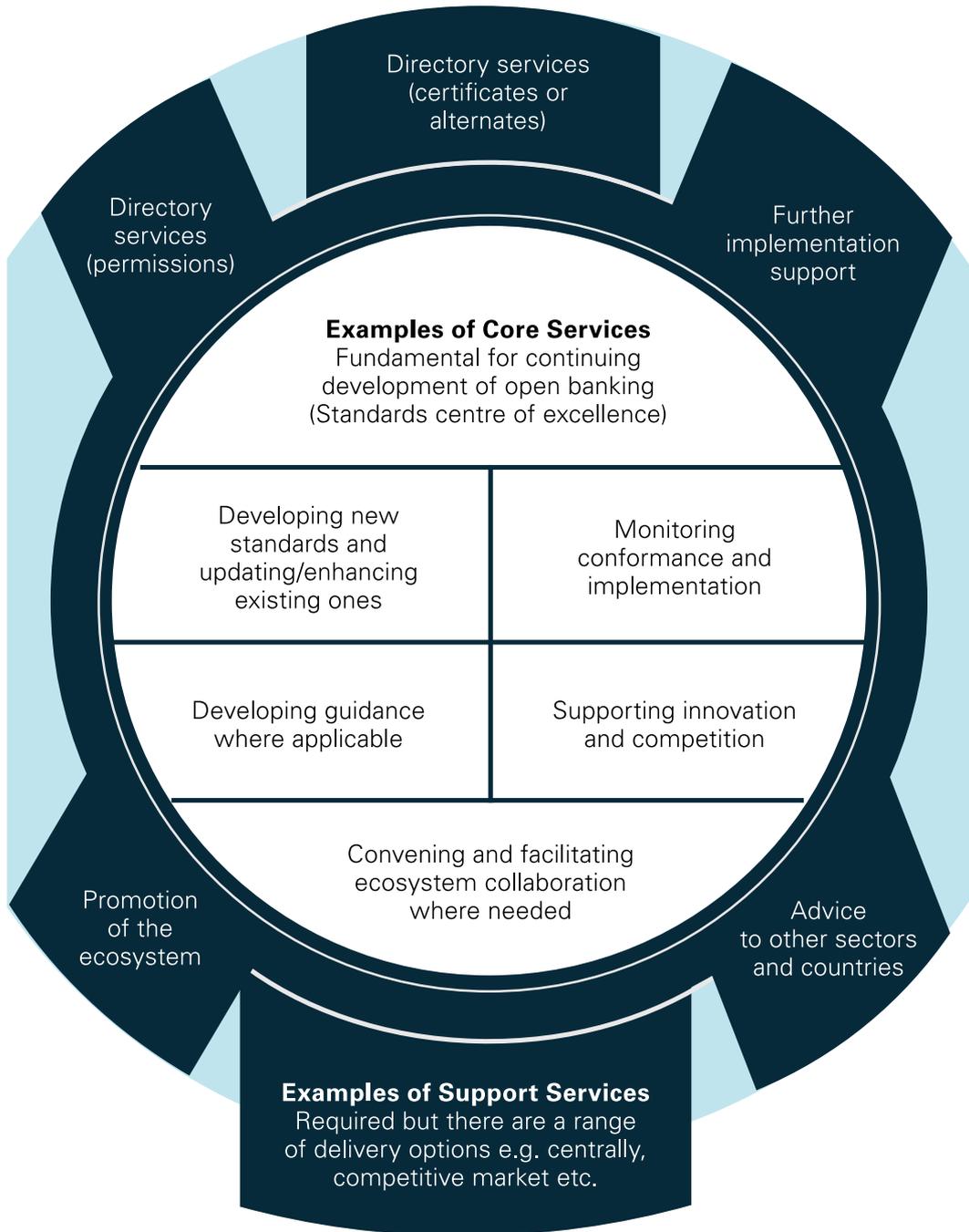
# 3 Design of the future entity

## Our vision for the future entity

- 3.1** This report sets out a path to an economically sustainable and scalable competitive open banking ecosystem. At the heart of this transformation is the evolution and transition of the OBIE to a future entity.
- 3.2** In our [joint statement](#) published in December 2022, the Committee set out the vision for the future entity in the interim state. The interim state follows the substantial completion of the Order implementation roadmap and will end when the long-term regulatory framework is in place. From our engagement with stakeholders and the SWG report, we recognise that there is broad consensus among open banking participants and end users on the need to have a successor entity to the current OBIE. We also recognise a strong preference from stakeholders that the future entity should assume the role of a central standard-setting body.
- 3.3** We agree with this and expect the future entity to play a central role in the ecosystem. Its purpose and objective will be to support the development of new, and improve existing, open banking propositions. This will promote competition and innovation within the financial sector for the benefit of consumers and businesses. It will do so by improving existing and developing new standards and guidelines for all ASPSPs and TPPs which, in turn, will ensure consistent user experiences and interoperability across use cases.
- 3.4** To ensure industry conformance with these standards and guidelines, we expect the future entity to monitor and gather data on ecosystem performance on an ongoing basis and provide and maintain critical services and technical infrastructure (such as conformance tools and a service helpdesk).
- 3.5** In addition, we expect the future entity to convene and promote ecosystem discussions with a wide range of stakeholders where appropriate, and act as a facilitator in circumstances where collaboration between open banking participants and key stakeholders (including consumers and businesses) is required. For example, this would include supporting the development of multilateral agreements for new services and premium APIs, such as VRP for non-sweeping use cases, facilitating data collection with regards to ecosystem performance and availability, and understanding instances of financial crime in open banking payments. In order to convene and promote ecosystem discussions and act as a facilitator, the future entity must closely monitor market developments and ensure compatibility with the activities of other key actors. This will include, among other things, considering the impact of the New Payments Architecture, Faster Payments rules, authorised push payment (APP) fraud initiatives, the FCA's consumer duty, smart data legislation and open finance, and align with relevant changes to ensure open banking can continue to grow and scale.

- 3.6** Effective regulatory oversight is also vital. During the interim state and before the establishment of the long-term regulatory framework, the future entity will be subject to oversight by the Committee (in respect of non-Order activities) and the CMA (in respect of the Order activities). This will ensure the entity continues to act in a fair and independent manner for the benefit of consumers and businesses.
- 3.7** The SWG Report demonstrated that there are divergent views on the preferred governance, structure and funding model of the future entity. To reach a balanced conclusion, the Committee will continue working with open banking ecosystem participants to finalise detailed proposals in Q3 2023 and provide an update on these in Q4 2023.
- 3.8** Although further analysis is needed, the diagram below represents our emerging thinking on the functionalities of the future entity where we have identified core and support services. Core services are services that are fundamental to open banking's continued development, which are expected to be funded by members of the future entity. Support services are non-core services with a range of delivery options, and may be funded by those who use them. We will refine our thinking as we conduct further analysis.
- 3.9** While we work to set out detailed proposals for the design of the future entity, and prior to transitioning to it, the OBIE will continue to have a key role in promoting and facilitating ecosystem development, including non-Order activities. To allow it to take forward these developments, we will engage with the CMA, the OBIE and the Trustee to design and agree a new OBIE governance process for non-Order activities as soon as possible in Q2 2023.

Figure 4: Emerging thinking on the core functionalities of the future entity



## Design principles for the future entity

**3.10** The further work that we will undertake with open banking participants and other stakeholders to develop detailed design proposals for the future entity will be guided by the following principles:

- The future entity will support competition and innovation within the open banking ecosystem and promote positive outcomes for consumers (including those with vulnerable characteristics) and businesses by convening and facilitating ecosystem discussions as well as developing new standards or updating existing ones to implement new products and services.
- The future entity will adhere to high standards of corporate governance, develop financial sustainability to fulfil the core services identified above, and deliver against actions set out by the Committee (including those in this report).
- During the interim state, the future entity will be structured in a way that enables it to evolve and scale its functions over time. It will undertake and deliver non-Order activities, including those set out in this report.
- The future entity will ensure fair and effective representation of the interests of relevant industry and end user stakeholders, including consumers and businesses, throughout its decision making, from governance to delivery.
- The future entity will be structured in a way that enables the evolution to the long-term regulatory framework for open banking. It will be supported by a wide membership base, extended to cover all ASPSPs, and underpinned by broad-based and proportionate funding and liability arrangements.
- Disruption to the open banking ecosystem and core functionalities currently provided by the OBIE will be minimised.
- The future entity will be able to adapt and support future developments beyond open banking, e.g., open finance and smart data initiatives.
- The future entity will be subject to appropriate regulatory oversight under the long-term regulatory framework.

**3.11** The governance arrangements will reflect the purpose and objectives of the entity, which include playing a central role in supporting the long-term sustainable growth of open banking and future developments. This means that the entity will be led by an independent board and underpinned by a set of values and cultures that include an emphasis on integrity, transparency, and promoting ethical behaviour. The board will effectively identify, assess and manage risks, including potential downstream risks to consumers and businesses. The governance structure will also ensure effective and adequate representation of the interests of end users throughout the organisation.

- 3.12** On the funding of the future entity, our views remain that in the long term the future entity's funding and liability arrangements must be broad-based and equitable. Its funding will be shared across all users in an efficient and proportionate way that reflects the level and structure of the underlying costs.<sup>5</sup> The liability model needs to evolve from the model in place today, to represent the breadth of actors within the ecosystem. In addition, the potential impact of the proposed funding model on both end user outcomes (including that of consumers and businesses) and certain use cases (e.g., access to credit for consumers in vulnerable circumstances) must be taken into consideration.
- 3.13** The membership of the future entity will be as broad as possible from the start and the new governance model will be in place from the early days of its operation. The board of the future entity will lead on the execution and manage the transition to any new funding arrangements. As the entity scales with more actions and activities, including the priority actions identified under the Committee's roadmap, its funding model will evolve so that revenues are not solely drawn from membership fees, but supplemented by the provision of additional services (for example, advisory services) to the market and international counterparts.

## Further analysis of design options

- 3.14** In the last year, the Committee has reviewed and received a number of key inputs on the design of the future entity. These include The Consumer and Small Business Blueprint for Open Banking, UK Finance's Open Banking Futures: Blueprint and Transition Plan, and individual contributions from end user representatives.
- 3.15** The Committee has also analysed the Strategic Working Group's final report, which highlighted that there is a strong view among stakeholders that the entity should primarily assume the role of a central standard-setting body with the ability to evolve its functions as open banking develops. The report also drew attention to stakeholders' view that the future entity should be set up as a single entity and that it should accrue its funding from ecosystem participants.
- 3.16** The Committee has reviewed the Trustee End of Implementation Roadmap Report, which outlined that setting up the future entity as a separate organisation would allow for the clear demarcation of liabilities. It also said that the Committee should future-proof the future entity by designing it in a way that is compatible with other large infrastructure projects such as the NPA, open finance/smart data, and the pensions dashboard.
- 3.17** The Committee's views build on the CMA's response to consultation on the future oversight of the CMA's open banking remedies<sup>6</sup>, where it set out, among other things, that the future entity should have effective regulatory oversight, be well-governed and adequately resourced to carry out its functions and serve the interests of consumers and businesses.

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<sup>5</sup> In so far as permitted by the PSRs 2017 and specifically the requirement for ASPSPs to provide access to TPPs for free.

<sup>6</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1086515/Consultation\\_response\\_publication.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1086515/Consultation_response_publication.pdf)

**3.18** The Committee has discounted a number of options after thorough consideration of the practicalities and potential cost and benefit of different proposals. The FCA, for instance, does not intend to introduce a new fee for organisations that are part of the open banking ecosystem to fund the set up or operation of the future entity, as this would require further legislative changes and would therefore need to be considered by the Treasury in the context of the long-term regulatory framework work for open banking. We have also ruled out the possibility of establishing multiple future entities, as a key lesson learnt from open banking to date has been the importance of an entity which sets the specifications for a standardised set of APIs for the ecosystem to grow. This would risk undermining the effectiveness of the ecosystem building on what has been achieved to date and introducing unnecessary frictions that may negatively impact competition and innovation as complexity and costs may grow.

**3.19** In Q2 2023, the FCA and the PSR, with CMA’s support where needed, will work with open banking participants and broader stakeholders on the possible options for the design of the future entity. This will allow us to, based on the input from open banking participants and broader stakeholders, finalise a detailed plan for the establishment of an economically sustainable new entity and the OBIE’s transition to it in Q3 2023 and communicate on it in Q4 2023.

**3.20** The table below describes, in more detail, the options under consideration and further work required for the design of the future entity. We will measure success through the establishment of the future entity as soon as possible, the start of the transition to the future entity before the end of the year, and a structure and governance that align to the principles outlined above. We will also measure success through the future entity adopting at pace a new funding structure, based on our recommendations.

**Figure 5: Emerging thinking on the design of the future entity**

Core components	Further work	Options under consideration
<b>The structure of the future entity</b>	Legal and financial analysis on different organisational structures and including governance arrangements	<ul style="list-style-type: none"> <li>• A parent-subsidary model that would involve setting up a new subsidiary to delineate non-Order activities from the ongoing obligations under the CMA Order (i.e., the parent company could focus on non-Order activities, while the subsidiary delivers Order activities, or vice versa)</li> <li>• A single entity model that would require ring-fencing Order activities from non-Order activities through setting up appropriate structures (i.e., a ring-fenced unit) within the same entity</li> <li>• A two-entity model that would involve setting up a separate new entity to progress non-Order activities with the OBIE retained to focus on Order activities only</li> </ul>

Core components	Further work	Options under consideration
<b>The funding of the future entity</b>	Financial modelling to test funding proposals for non-Order activities, including considering the financial and operational impact of different membership and pricing frameworks, and the implications on ecosystem, innovation and competition	<ul style="list-style-type: none"> <li>• A tiered membership model (e.g., based on appropriate metrics such as firms' turnover or market share)</li> <li>• A pay as you go model for the use of premium services, for example premium API standards that go beyond regulatory requirements</li> <li>• A hybrid model comprising of a tiered membership scheme and a pricing framework for premium services as well as other commercial revenues</li> </ul> <p><i>Note: Commercial revenues generated from provision of services to other parties (non-ASPSPs and non-TPPs), i.e., confirmation of payee, are seen as potential sources of income that could complement the above model - these revenue streams have the potential to scale over time</i></p>
<b>The core functionalities of the future entity</b>	A strategic review of the current entity's existing capabilities and delivery model, cost structure and resource planning to identify core functionalities that would benefit from a centralised model and secondary services that could be driven by a market-based model	<ul style="list-style-type: none"> <li>• A centralised model with the future entity as the single standard-setting body and provider of core functionalities and support services</li> <li>• A centralised model with the future entity as the single standard setting body and provider of core functionalities whilst support services could be serviced either by said entity or other market providers</li> </ul>

## OBIE actions and activities until the future entity is in place

**3.21** The Committee recognises the importance of ensuring continuity of the actions and activities being carried out by the OBIE and facilitating a smooth transition to the future entity. While we are refining our recommendations on the design of the future entity with open banking participants and broader stakeholders, we expect the OBIE to continue its key role in promoting and facilitating ecosystem development. The OBIE therefore must have the right resources, governance and capabilities to deliver both non-Order activities as well as the activities it is mandated to carry out under the Order until the new entity is in place.

**3.22** In the immediate term and until the new entity is operational, the OBIE must:

- Discharge functions beyond the scope of the Order, including delivering non-Order activities that are recommended by the Committee in this report under a new, alternative, non-Order governance process; the Committee will work with the CMA, the Trustee and the OBIE to design and agree a new governance process for non-Order activities with immediate effect.

- Develop options for a market pricing framework of services currently provided by the OBIE that fall outside of the Order, as recommended in the Trustee End of Implementation Roadmap Report. The Committee will work with the OBIE to agree the parameters and scope of the analysis required. This will include considerations of how those services are delivered (e.g., the OBIE Directory).

**3.23** The alternative governance arrangement will be designed in accordance with the principles set out in the previous section and should ensure effective and adequate representation of the interest of end users (including consumers and businesses). We expect this governance arrangement to be in place as soon as possible in Q2 and remain in place until the future entity is in place. This will allow for a period of stability for the open banking ecosystem as we navigate through transition. And we expect ASPSPs subject to the CMA Order to provide the funding necessary to ensure the OBIE continues its key role, including for non-Order activities as described above.

**3.24** We will measure success in this transition period through monitoring whether the OBIE conducts the actions this report outlines, with progress made at pace thanks to a revised governance process.

**Figure 6: Roadmap actions – design of the future entity**

Theme	Actions	Owner	Delivery
<b>Finalising the design of the future entity</b>	Establish alternative governance arrangements for non-Order activities for the OBIE	FCA, PSR, CMA and OBIE	As soon as possible in Q2 2023
	Develop a market pricing framework for non-Order functionality	OBIE	Q2 2023
	Finalise the design of the structure, governance, and funding of the future entity	FCA, PSR, ecosystem	Q3 2023
	Expected start of the transition from OBIE to the future entity (subject to the CMA’s consent)	OBIE, CMA	Q4 2023
<b>Across all themes</b>	<b>Publish a progress update and set out refined views on the design of the future entity</b>	<b>JROC</b>	<b>Q4 2023</b>

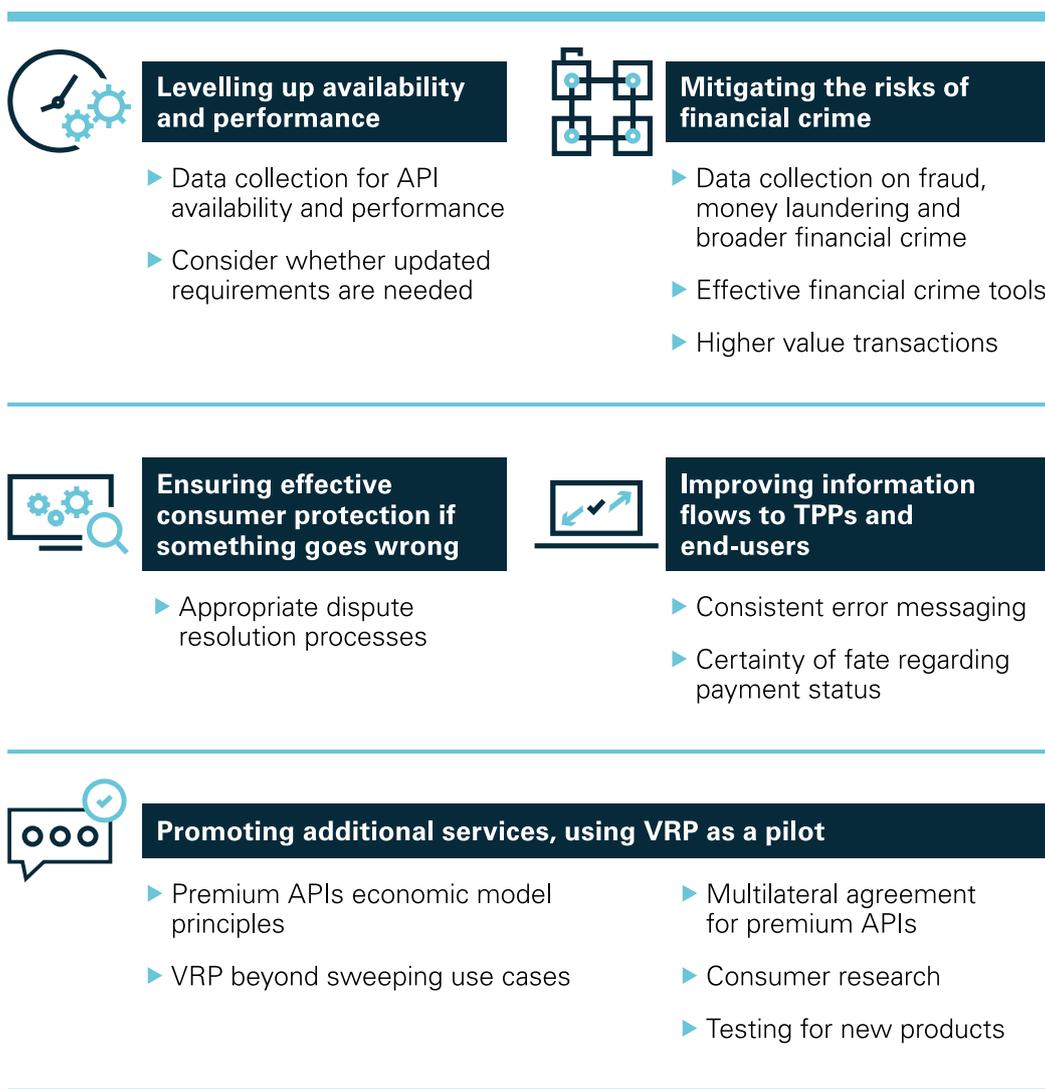
# 4 Future roadmap

## Key delivery phases

**4.1** Within the next two years, the foundations of the new phase of open banking will be in place. To achieve that objective, in addition to transitioning to a new entity, we have identified actions, fitting into five themes that must be progressed:

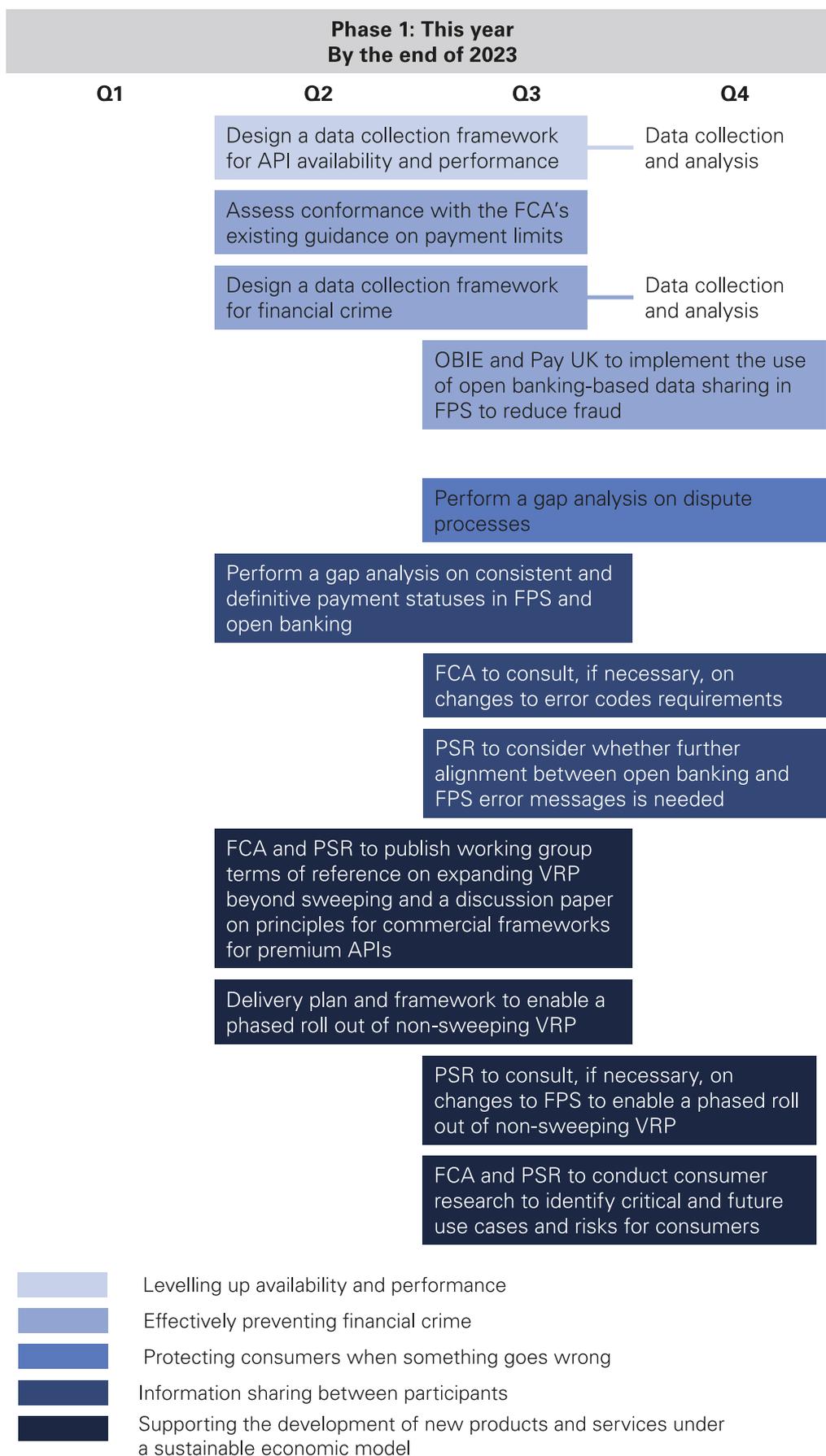
- levelling up availability and performance
- mitigating the risks of financial crime
- ensuring effective consumer protection if something goes wrong
- improving information flows to TPPs and end users
- promoting additional services, using variable recurring payments (VRP) as a pilot

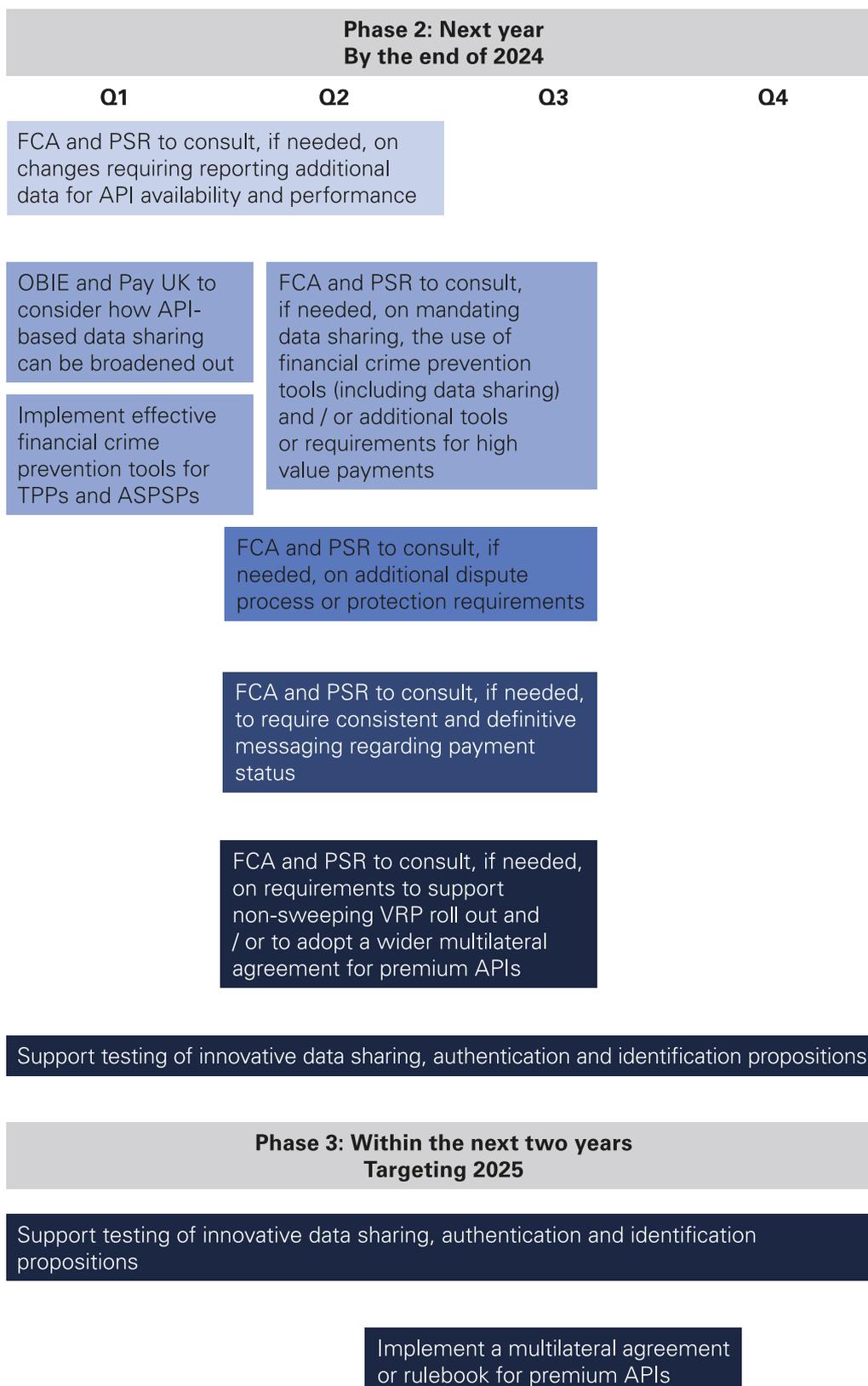
**Figure 7: Roadmap themes and actions**



- 4.2** These themes have been informed by and broadly reflect the findings of the SWG report, our wider stakeholder engagement and the recommendations included in the Trustee End of Implementation Roadmap Report. These actions, when complete, will strengthen open banking and improve performance and resilience across the ecosystem. They will underpin and enable the ecosystem to grow and innovate in a way that puts end user needs first, as well as enable an economic model to be developed and tested.
- 4.3** They should be developed and progressed alongside the actions we've outlined in relation to the design of the future entity and delivered in a phased approach. We expect that within the next two years these actions will have been delivered. Some of these actions will be led by ecosystem participants, including the OBIE, while others will be led by the FCA and the PSR.

**Figure 8: Delivery phases**





## Phase 1: This year (by the end of 2023)

- 4.4** These actions will improve visibility and understanding around the level of financial crime across the open banking ecosystem and the availability and performance of APIs across different ASPSPs. They will, in addition, improve the functioning of the ecosystem, for instance, by ensuring consistent error messaging and enable us to better understand consumers' concerns and possible future developments through consumer research. For these actions, industry consensus generally already exists. We consider that these actions are the most urgent as they will provide a full picture of the current state and create the foundations for the future state.

## Phase 2: Next year (by the end of 2024)

- 4.5** These deliverables lay the groundwork for the end state, building on several of the actions to be carried out in 2023. This will be done through improved data sharing, the development of commercial and liability frameworks and improvements in information flows to TPPs on API calls and payment messages. These cover additional open banking use cases to further develop the open banking ecosystem. This includes, for example, expanding VRP beyond sweeping use cases. While progress on these elements will take longer due to their complexity, work will commence in 2023.

## Phase 3: Within the next two years

- 4.6** These actions support our goal to build a strong and sustainable ecosystem that supports a wide range of viable and competitive open banking services. To do this, a sustainable commercial model will be developed and piloted, and new innovative business models will be tested. Phase 3 actions may require the long-term regulatory framework and/or other FCA/PSR regulatory intervention.

# Roadmap themes

## Levelling up availability and performance

- 4.7** The objective of the Committee is to develop an ecosystem where open banking API availability and performance is consistently high across all ASPSPs. This will allow consumers and businesses to benefit further from high-performing, reliable services that enhance user experience and continue to build trust in the ecosystem. It means open banking services will be able to scale and grow.
- 4.8** Our discussions with stakeholders and the SWG sprints demonstrated that confidence in and clarity over API availability and performance varied widely among ASPSPs and TPPs. The Trustee End of Implementation Roadmap Report recommends the collection of information to further assist conformance to requirements and future regulatory decision making. This highlights a need to expand data collection across the ecosystem to accurately assess and identify possible next steps to support more consistent and improved levels of performance across ASPSPs.

## Data collection for API availability and performance

- 4.9** The OBIE, and the future entity when set up, should collect regular data on API availability and performance from all ecosystem participants, not just the ASPSPs subject to the CMA Order as it is the case today, to ensure a consistent and standardised approach applies across the whole ecosystem. It is a crucial tool to assess and monitor performance as well as identify and resolve potential issues, and an activity we think must be core to the entity.
- 4.10** The Committee asks that in the short-term ecosystem participants, organised and coordinated by the relevant industry bodies and with the support of OBIE, proceed to define the metrics and benchmarks for availability and performance data collection, developing a data collection and reporting template for all ASPSPs and TPPs. The proposals will need to include setting out the target outcomes, determining the scope of data collection, frequency of collection, the data sets to be collected, the mechanism for reporting data, submission and collection and the analysis and dissemination of the findings to the wider ecosystem. Ecosystem participants will need to submit their proposals to the Committee by the end of Q2 2023.
- 4.11** The OBIE, and the future entity when set up, will conduct data collection and share information with the FCA and the PSR. We expect that the OBIE will conduct the first data collection in Q3 2023 after the Committee has agreed the collection template.
- 4.12** There are existing rules for API performance in the PSRs 2017 and firms are asked to submit NOT05 notifications in the event of outages. The FCA continues to review data reported and will consider whether changes to existing rules and reporting may be needed. In addition, as premium API models come to market, e.g., for non-sweeping VRPs, the FCA and PSR will consider whether specific updated requirements on API availability and performance may be needed. The long-term regulatory framework will further provide authorities with the powers that may be needed to ensure there is a requirement for high performance standards.
- 4.13** The CMA has placed additional obligations on availability and performance for the ASPSPs subject to the CMA Order, including specific availability service metrics, with powers to hold the ASPSPs subject to the CMA Order accountable. This is a continuing obligation under the Order that will persist until such time as the CMA considers it may be appropriate to review whether these requirements are still necessary, in light of the relevant market circumstances and, in particular, the wider regulatory environment.
- 4.14** Both the PSRs 2017 and CMA Order should be the starting point for the ecosystem to consider when designing the data collection and identifying the data sets and parameters set out above. Additional information available, such as conversion rates, to participants may also be used.
- 4.15** The Committee is seeking high and consistent availability and performance standards across all ecosystem participants. We will measure success using data and information collected, as well as by ensuring that all actions listed below are conducted.

**Figure 9: Roadmap actions – levelling up availability and performance**

Theme	Actions	Owner	Delivery
<b>Levelling up availability and performance</b>	Design a data collection framework for API availability and performance and submit to FCA and PSR for approval	OBIE and ecosystem	Q2 2023
	Conduct the data collection and analyse data following FCA and PSR approval	OBIE	Q3 2023 (first collection)
	Consult, if needed, on changes requiring reporting additional data for API availability and performance	FCA and PSR	Q2 2024
<b>Across all themes</b>	<b>Publish a progress update and set out refined views on the design of the future entity</b>	<b>JROC</b>	<b>Q4 2023</b>

## Mitigating the risks of financial crime

- 4.16** All those involved in open banking need to effectively mitigate risks and ensure consumers are safe. When we better understand the level of financial crime in open banking, including fraud and money laundering, we can improve the tools used and information exchanged between open banking participants so that fraud and financial crime risks are mitigated. This will enable the ecosystem to scale and evolve safely.
- 4.17** Our engagement with stakeholders has consistently alerted us to a gap in evidence relating to open banking fraud, money laundering and broader financial crime. The SWG sprints highlighted differing views between ASPSPs and TPPs on the extent and existence of financial crime in the open banking ecosystem.
- 4.18** The SWG also demonstrated that data sharing between ecosystem participants is essential to effectively mitigate financial crime in a targeted manner. While TPPs believe some ASPSPs may be applying overly restrictive payment limits to open banking transactions, ASPSPs voiced concern about the risk that some high value payments may be fraudulent. There was, however, agreement that enhanced data sharing between ASPSPs and TPPs will enable fraud and money laundering to be more easily identified.
- 4.19** We will measure success through the implementation of the actions outlined as well as through the number of fraud and money laundering cases in open banking, using the new data collected as well as existing reporting.

### **Data collection on financial crime**

- 4.20** Information sharing between ASPSPs and TPPs and a comprehensive evidence base through data collection in addition to strong cyber security should ensure consumers and businesses are well protected, but not at the cost of hindering customer experience and access to open banking services.
- 4.21** Our engagement with stakeholders, including through the SWG, has highlighted the need for improved data around the level of financial crime in open banking, including

fraud and money laundering. There are current differing views on the level of fraud and financial crime due to having partial information only. Collecting data will enable us to have a whole ecosystem view, by combining data from ASPSPs, TPPs and, where applicable, receiving PSPs.

- 4.22** The Committee asks the OBIE, with the support from relevant industry stakeholders and in close coordination with other ecosystem participants, to design a financial crime data collection and reporting template for open banking. This should be submitted to the FCA and PSR for review and comment by the end of Q2 2023. This should include metrics, benchmarks, frequency of collection, use cases, reporting method and approach for disseminating the information gathered. It should also consider existing financial crime data collection through FCA reporting and in Faster Payments. The OBIE should conduct a first data collection and reporting exercise in Q3 2023 and share the outputs with the FCA and the PSR.

### **Ensuring effective financial crime tools**

- 4.23** Setting a common standard for information sharing for the purpose of monitoring and mitigating financial crime was widely supported across the ecosystem, both in the SWG discussions and broader engagement.
- 4.24** The OBIE has conducted extensive work in the past in relation to developing and implementing transaction risk indicators (TRIs). The Trustee End of Implementation Roadmap Report recommends that TPPs implement TRIs and ASPSPs take full account of these in determining fraud risk. We have considered these recommendations and agree that existing work should be taken forward to provide a common benchmark for all stakeholders in the open banking ecosystem, including all ASPSPs and TPPs.
- 4.25** We ask the OBIE (and the future entity when set up) to identify effective tools to help reduce the risk of financial crime, such as fraud and money laundering, and strengthen cyber security, while supporting consumer convenience, where appropriate. These tools should build on the OBIE's work on TRIs. The FCA and PSR will, by the end of Q2 2024, consult if needed on requiring the implementation of a consistent and ecosystem-wide rollout of the relevant identified tools across ASPSPs and TPPs.
- 4.26** For payments, the whole ecosystem should leverage the use of the API technology to gather and share further information on financial crime. We, therefore, ask that Pay.UK works with the OBIE to enhance data collection across the ecosystem by Q4 2023, in line with the work Pay.UK is already conducting. We also expect Pay.UK and the OBIE to consider how API based data sharing can be broadened out beyond authorised push payment fraud to include money laundering, capture other providers, and submit its findings back to the FCA and PSR by the end of Q1 2024. We will then consider whether further action is needed to support the use of APIs to share further data across the payment ecosystem.

### **Further supporting higher value transactions through open banking payments**

- 4.27** There is existing FCA guidance<sup>7</sup> for ASPSPs and TPPs in relation to payment limits. We expect ASPSPs to treat payment orders from TPPs in the same way as those that come directly from their customers unless there are objective reasons to justify

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<sup>7</sup> [Payment Services and Electronic Money](#) – Our Approach (chapter 17)

different treatment. For instance, if an ASPSP has reasonably justified and duly evidenced reasons relating to the unauthorised or fraudulent initiation of a payment transaction by a TPP, the ASPSP may decide not to execute the transaction. The fact that a customer is using a TPP does not itself give grounds for suspicion of unauthorised or fraudulent activity. ASPSPs should not set a lower limit for TPP-initiated transactions unless there is an objective reason for doing so, and only in specific instances (rather than for all TPP-initiated transactions).

**4.28** The FCA clarified that where a transaction limit applies for a payment order initiated by a TPP, we expect ASPSPs to apply the highest limit that is currently applied to customers who choose to initiate a transaction directly through a digital channel provided by their ASPSP. The evidence submitted as part of the SWG payment sprints suggested that this guidance may not always be adhered to.

**4.29** The FCA expects anti-fraud obligations to be met alongside the obligations in relation to open banking. We expect ASPSPs to review their practices and ensure they adhere to FCA guidance.

**4.30** In addition, the FCA and PSR are committed to improving existing requirements and reviewing them based on improvements around data collection on fraud and data sharing between ASPSPs and TPPs. By Q2 2024, the FCA and PSR will consult if needed on requirements to further ensure higher value payments are safely made using open banking.

**Figure 10: Roadmap actions – effectively preventing financial crime**

Theme	Actions	Owner	Delivery
<b>Mitigating the risks of financial crime</b>	Assess conformance with the FCA’s existing guidance in relation to payment limits	ASPSPs	Q2 2023
	Design a data collection framework for financial crime and submit to FCA and PSR for approval	OBIE and ecosystem	Q2 2023
	Conduct the financial crime data collection and analyse data following FCA and PSR approval	OBIE	Q3 2023 (first collection)
	Implement the use of open banking based data sharing in Faster Payments to reduce fraud	OBIE and Pay.UK	Q4 2023
	Implement effective financial crime prevention tools for TPPs and ASPSPs (e.g., TRIs)	OBIE/future entity	Q1 2024
	Consider how API based data sharing can be broadened out beyond authorised push payment fraud and report findings to FCA and PSR	OBIE and Pay.UK	Q1 2024
	Consult, if needed, on mandating data sharing, the use of financial crime prevention tools (including data sharing) and/or additional tools or requirements for high value payments	FCA and PSR	Q2 2024
<b>Across all themes</b>	<b>Publish a progress update and set out refined views on the design of the future entity</b>	<b>JROC</b>	<b>Q4 2023</b>

## Ensuring effective consumer protection if something goes wrong

- 4.31** It is of critical importance to the Committee that consumers remain safe and protected when using open banking products and services, including as propositions develop and use cases expand. The Committee was pleased to see that ensuring consumers are suitably protected and have access to effective mechanisms for redress was recognised as a priority by stakeholders across the ecosystem. However, it is clear views differ substantially between and within stakeholder groups on the appropriate level of protection, how to implement this, and who should be responsible.
- 4.32** Open banking needs to have processes in place that help guide consumers and other relevant actors if something goes wrong. Existing liabilities need to be applied effectively through a dispute resolution process (where needed) and any potential protection gaps identified and addressed.

### Ensuring appropriate dispute resolution processes

- 4.33** As strongly advocated by consumer representatives and several ASPSPs, adequate and consistent protections are required to support consumer trust and the adoption of open banking services. However, TPPs, retailers and some ASPSPs warned that this needs to be balanced with instating complex and costly processes that inhibit businesses from supporting open banking services, alongside avoiding duplication with existing legislation.
- 4.34** The FCA and PSR are keen to ensure that, as the open banking ecosystem develops, processes are in place across all relevant ecosystem participants to protect consumers in a robust and effective way. We ask the OBIE (and the subsequent future entity) to perform a gap analysis of dispute processes for open banking, including both payments and data requirements, building on the work the OBIE has already done and the findings of the SWG report.
- 4.35** The OBIE (and the subsequent future entity) should consider whether differences should be drawn between payments, data aggregation and combined use cases. The OBIE will report its recommendation to the Committee by the end 2023.
- 4.36** This will need to be considered in parallel with the PSR’s work on account-to-account payments and its plan to ensure the correct incentives are in place to minimise the likelihood of disputes as well as the dispute process to support the implementation of liabilities on Faster Payments. The FCA and the PSR will assess the alignment between dispute processes in open banking and Faster Payments to decide where additional processes should sit.

**Figure 11: Roadmap actions – protecting consumers when something goes wrong**

Theme	Actions	Owner	Delivery
<b>Ensuring effective consumer protection if something goes wrong</b>	Perform a gap analysis of dispute processes	OBIE/future entity	Q4 2023
	Consult, if necessary, on additional dispute process or protection requirements in open banking	FCA and PSR	Q2 2024
<b>Across all themes</b>	<b>Publish a progress update and set out refined views on the design of the future entity</b>	<b>JROC</b>	<b>Q4 2023</b>

## Improving information flows to TPPs and end users

- 4.37** It is important for ecosystem participants to have the right information in terms of errors and payment execution to support and build trust in the system and ensure that it continues to improve. This should lead to fewer initiation failures and errors over time and increased retailer knowledge on when a payment will be processed or not, as well as the reasons behind errors when they occur.
- 4.38** By making technical improvements, including a common standard and consistent application of error and payment messaging, the Committee aims to support TPPs in being able to quickly identify and understand issues and improve customer experiences. These improvements should also support the development and adoption of open banking payment and data services across a broader range of use cases.
- 4.39** The SWG process pointed out gaps in existing functional capabilities that could prevent TPPs from determining the reasons why API calls were unsuccessful. TPPs also indicated that they aren't always able to identify whether a payment has reached the account of the payee. This prevents TPPs from being able to quickly understand and diagnose issues and provide end users with clarity, leading to negative customer experience.

### **Ensuring consistent error messaging**

- 4.40** The SWG report highlighted the challenges faced by TPPs due to the limited detail on the reason for the failure of an API call. The Trustee End of Implementation Roadmap Report recommends the improvement of consistency and granularity of error codes across the market.
- 4.41** Today, firms are required under the Regulatory Technical Standards on strong customer authentication and open and secure communication (SCA-RTS) to provide error codes, but the fields are limited and TPPs often do not gain a detailed understanding of the reason for the failure. Further transparency would help both TPPs and ASPSPs improve the process. Errors may also arise from the underlying payment system, and we understand that reasons for failure of sending or receiving a payment between the different PSPs involved in the payment system may not always be communicated clearly to TPPs.
- 4.42** The FCA will assess and consult if needed on changes to the existing requirements in relation to error codes to help firms and the ecosystem by the end of Q2 2024. The PSR will support this work by working with Pay.UK to look at the existing Faster Payments error messages and consider whether further alignment is needed with open banking.

### **Ensuring consistent information regarding payment status**

- 4.43** The SWG report set out that TPPs currently don't have consistent certainty over whether a payment has been successfully made or not. More specifically, TPPs do not always know whether the payment was sent by the sending bank, and whether it was received, rejected or given a 'qualified acceptance' status by the receiving bank. This poses challenges to TPPs and the overall customer experience, as TPPs are not always able to inform their customer whether the payment has been successful or not.
- 4.44** The Trustee End of Implementation Roadmap Report further highlights the need to ensure that there is consistency in the implementation and provision of up-to-date payment status across the market, specifically from ASPSPs to TPPs. Under FCA rules,

in particular the SCA-RTS, firms must confirm whether or not there are available funds. While helpful in terms of providing some indication, it is unlikely to provide enough visibility for TPPs on whether an intended payment is likely to be successful or not.

- 4.45** We understand that some firms may be passing on Faster Payments payment statuses to TPPs. We ask all ASPSPs to consider whether the correct processes are in place to provide TPPs with relevant Faster Payments payment status information as soon as it has been received and until a final status for the payment has been reached by end of Q3 2023. This would considerably enhance TPPs’ visibility.
- 4.46** The Committee anticipates the OBIE (and the subsequent future entity) will have a role to play in this process to support firms as some updates to the standards may be needed. This will require input from Pay.UK in relation to Faster Payments payment status messages and compatibility with the transition to the NPA.
- 4.47** The FCA and PSR will consider whether additional requirements need to be put in place to ensure consistent messaging regarding payment statuses. In the longer term and in the context of the NPA, the PSR will work with Pay.UK to consider whether further certainty should be built into the payment message flows and be passed on to TPPs.

**Figure 12: Roadmap actions – information sharing between participants**

Theme	Actions	Owner	Delivery
<b>Improving information flows to TPPs and end users</b>	Perform a gap analysis of consistent and definitive payment statuses in Faster Payments and open banking	OBIE and Pay.UK	Q3 2023
	Consult, if needed, on changes to error codes requirements	FCA	Q4 2023
	Consider whether further alignment between open banking and Faster Payments error messages is needed	PSR	Q4 2023
	Consult, if needed, to require consistent and definitive messaging regarding the payment status	FCA and PSR	Q2 2024
<b>Across all themes</b>	<b>Publish a progress update and set out refined views on the design of the future entity</b>	<b>JROC</b>	<b>Q4 2023</b>

### Promoting additional services, using VRP as a pilot

- 4.48** The shift to a sustainable economic model for open banking should be supported by the development of new and innovative products and services beyond existing regulatory requirements. We see these products developing, including through the introduction of premium APIs, and anticipate that a different pricing arrangement will need to be agreed.
- 4.49** Supporting the development of new products and services will enable the shifting of emphasis and advancements beyond what exists today toward a sustainable and scalable model. This model will need to be tested as new and innovative products come to market, and we expect frameworks to be piloted before the long-term regulatory framework is implemented.

- 4.50** The development of premium API propositions that facilitate and incentivise ongoing innovation for the benefit of businesses and consumers is an important part of moving to an economically sustainable and scalable open banking ecosystem. This is aligned with the ambition of many ecosystem participants to develop premium APIs, with many emphasising that this needs to be done fairly, considering market power dynamics and cost.
- 4.51** Notably, there is significant support from TPPs, businesses and some ASPSPs for implementing non-sweeping Variable Recurring Payments (VRP) across the ecosystem, as well as discussion of premium features to better support specific use cases. However, not all actors agree on how best to implement these additional services and features and whether this should be required by regulation (whether free or not) or developed collectively by industry with regulatory support.
- 4.52** In addition to the completion of the actions included in this section, success will be measured through the development of a sustainable economic model for premium APIs, starting with the implementation of a pilot for non-sweeping VRPs.

### **Introducing premium API economic model principles**

- 4.53** As highlighted through the SWG submissions and stakeholder engagement, there is a need to consider what a sustainable economic model between ASPSPs and TPPs could look like for premium APIs. Many participants also noted that the provision of premium API services needs to be underpinned by reasonable commercial returns, while considering the impact of cost on adoption and competitiveness.
- 4.54** It is the Committee's view that a sustainable pricing model needs to be in place to encourage ongoing development and innovation in a sustainable way. Therefore, the FCA and the PSR intend to publish a joint discussion paper in Q2 2023 which will suggest the high-level principles for developing a premium API commercial model that ensure prices remain efficient and fair. If needed, the FCA and PSR will then consult on the adoption of a commercial framework for premium APIs.

### **Expanding VRP beyond sweeping use cases**

- 4.55** Many respondents, in particular TPPs and retailers, expressed a strong appetite for the expansion of VRP beyond sweeping use cases. In the SWG's final report, 'evaluate VRP in low-risk sectors' was noted as a short-term priority and the development of 'scalable VRP scheme(s)' as a long-term priority, reflecting the need to work through key items including, but not limited to, commercial models and consumer protection regimes.
- 4.56** The Committee supports this and asks the ecosystem, coordinated by the relevant trade associations and supported by the OBIE, to come together to draft a framework for rolling out non-sweeping VRPs, with a path to scalability. The FCA and PSR will provide terms of reference for this work in Q2 2023.
- 4.57** The framework should consider the products and areas to be covered (use cases), dispute handling, liability arrangements, and a market pricing structure to incentivise cross-market participation, alongside framework scalability. This should also include considerations of the use of VRP for sweeping beyond the current mandate that limits its implementation to ASPSPs subject to the CMA Order. This should be presented to the FCA and PSR by end of Q3 2023 for authorities to consider next steps.

- 4.58** While identified as an interim deliverable, the FCA and PSR anticipate that through industry coordination, including close collaboration and engagement with retailers and consumer representatives, progress can be made this year. We expect non-sweeping VRP use cases to be enabled in a phased way, starting later this year. The FCA and PSR will then consider how best to support framework adoption, and use.

### **Establishing a multilateral agreement for premium APIs**

- 4.59** As non-sweeping VRP starts scaling from lower risk to a wider set of use cases, a framework with robust pricing, dispute handling and liability arrangements will be needed to ensure consumers and businesses can benefit from safe, reliable and cost-effective open banking services. While we expect the interim deliverable on expanding VRP beyond sweeping use cases to lay the groundwork for these arrangements, more work, including gap analysis of liability provisions, will be necessary to cover a broader set of use cases.
- 4.60** The SWG discussions highlighted retail payments as a key opportunity for further developing premium APIs for open banking payments. This aligns with the PSR's strategic objective to support the development of account-to-account retail transactions to offer consumers and businesses an alternative to card payments. This also aligns with the FCA's objective to have a variety of safe payment methods.
- 4.61** To achieve this goal, the ecosystem supported by authorities will need to establish a multilateral agreement or rulebook as a mechanism for coordinating delivery and ongoing service provision across ASPSPs and TPPs. This agreement will need to contain clear provisions on required functionality, pricing, dispute handling and liability.
- 4.62** The ecosystem, supported by the PSR, will need to consider the compatibility of this agreement with the obligations on receiving firms in the underlying payment system. This will be a complex undertaking which will need to the obligations on and incentives of the participants in the underlying payment system. The PSR is working closely with Pay.UK to ensure that liability and pricing principles for the payment system are considered alongside functional and availability requirements. As premium APIs develop further, the PSR and the FCA will work on a delivery path for how the rulebooks of the payments system foster and remain compatible with the innovation in open banking, including by consulting, if necessary, on the adoption of a regulatory framework for multilateral agreements for premium APIs.
- 4.63** We have also heard regularly from industry and other stakeholders about the need to progress premium API development beyond payments. The work on non-sweeping VRPs and high-level principles for commercial models will inform our thinking when considering premium APIs beyond payments for use cases that include data sharing and/or may combine payments and data.

### **Consumer research (including for consumers with vulnerable characteristics)**

- 4.64** The SWG report and the Trustee End of Implementation Roadmap Report highlighted the need for further consumer research, specifically into the needs of consumers with vulnerable characteristics, to inform the development of new and innovative products, as well as regulatory approaches to them.
- 4.65** We believe that there are real opportunities that come from open banking and more consumer research would help better understand and realise those. It would also help better assess risks and consumer experiences. Open banking products and services must cater to all consumer groups and should aim to increase financial inclusion through development and innovation. Research is therefore needed to assess the needs and inform the next steps of improving the open banking ecosystem.
- 4.66** The FCA and PSR will conduct consumer research, including for consumers with vulnerable circumstances, to look at risks. We will also look at future use cases that would particularly support consumers – including supporting changing consumers’ circumstances due to the cost-of-living crisis – with the aim to have regular consumer research in relevant areas conducted by the future entity, once established.

### **Encouraging firms to test new products, including authentication methods**

- 4.67** The SWG report noted that many respondents highlighted the need for further regulatory support for testing and innovation, including authentication and digital identity. The Trustee End of Implementation Roadmap Report recommends that there is a long-term vision in place for how a smart data ecosystem aligns with the UK payment strategy and emerging digital identity strategy.
- 4.68** Continuing engagement with stakeholders through roundtables and sprints is crucial for expanding premium APIs beyond payments. Further strengthening of the ecosystem development through existing tools such as the FCA innovation services is also key.
- 4.69** This should include fraud data sharing beyond open banking payments, authentication methods, testing specific business models to cater for consumers with vulnerable characteristics, etc.
- 4.70** The FCA and PSR, with the support from OBIE (and the subsequent future entity) where relevant, will support new product and services testing including data sharing and authentication propositions.

**Figure 13: Roadmap actions – supporting the development of new products and services under a sustainable economic model**

Theme	Actions	Owner	Delivery
<b>Promoting additional services, using non-sweeping variable recurring payments (VRP) as a pilot</b>	Publish terms of reference for a working group on expanding VRP beyond sweeping use cases	FCA and PSR	Q2 2023
	Publish a discussion paper on principles for commercial frameworks for premium APIs	FCA and PSR	Q2 2023
	Draft a delivery plan and framework to enable a phased roll out of non-sweeping VRP	VRP Working Group	Q3 2023
	Consult, if necessary, on changes to Faster Payments to enable a phased roll out of non-sweeping VRP	PSR	Q4 2023
	Conduct consumer research to identify critical and future use cases and risks for (vulnerable) consumers	FCA and PSR	Q4 2023
	Consult, if needed, on requirements to support non-sweeping VRP roll out and/or to adopt a wider multilateral agreement for premium APIs	FCA and PSR	Q2 2024
	Support testing of innovative data sharing, authentication and identification propositions	Ecosystem, future entity and FCA	Ongoing
	Implement a multilateral agreement or rulebook for premium APIs	Ecosystem	Q4 2025
<b>Across all themes</b>	<b>Publish a progress update and set out refined views on the design of the future entity</b>	<b>JROC</b>	<b>Q4 2023</b>

# 5 Next steps

## JROC's role and priorities

- 5.1** This report sets out the Committee's views, recommendations and the joint actions required to successfully transition to the next phase of open banking and maintain its international leadership.
- 5.2** The Committee is committed to progressing the work outlined at pace and in close collaboration with the open banking ecosystem. To support this, we will provide a further statement in Q4 2023 to update on progress made against the priority items set out in this report and share our detailed recommendations for the design of the future entity. Ahead of that, we will engage with stakeholders and support them, where relevant, in their delivering of actions outlined in this report. Actions and priorities are summarised in the table below.

## Stakeholder engagement

- 5.3** The Committee work to date has benefitted from the various engagements that we have held with industry participants, consumers, and business stakeholders. We have appreciated the willingness from stakeholders to engage and provide valuable feedback and ideas about the future of open banking and beyond.
- 5.4** We value the feedback that we have received so far and are committed to continue these discussions. We plan to hold various types of engagements and are interested in hearing from all participants in the open banking ecosystem. We will organise a webinar to discuss the content of this report in May 2023.
- 5.5** For those wishing to get in touch, please contact [jroc@fca.org.uk](mailto:jroc@fca.org.uk).

**Figure 14: Open banking roadmap**

Theme	Actions	Owner	Delivery
<b>Levelling up availability and performance</b>	Design a data collection framework for API availability and performance and submit to FCA and PSR for approval	OBIE and ecosystem	Q2 2023
	Conduct the data collection and analyse data following FCA and PSR approval	OBIE	Q3 2023 (first collection)
	Consult, if needed, on changes requiring reporting additional data for API availability and performance	FCA and PSR	Q2 2024
<b>Mitigating the risks of financial crime</b>	Assess conformance with the FCA’s existing guidance in relation to payment limits	ASPSPs	Q2 2023
	Design a data collection framework for financial crime and submit to FCA and PSR for approval	OBIE and ecosystem	Q2 2023
	Conduct the financial crime data collection and analyse data following FCA and PSR approval	OBIE	Q3 2023 (first collection)
	Implement the use of open banking based data sharing in Faster Payments to reduce fraud	OBIE and Pay.UK	Q4 2023
	Implement effective financial crime prevention tools for TPPs and ASPSPs (e.g., TRIs)	OBIE/future entity	Q1 2024
	Consider how API based data sharing can be broadened out beyond authorised push payment fraud and report findings to FCA and PSR	OBIE and Pay.UK	Q1 2024
	Consult, if needed, on mandating data sharing, the use of financial crime prevention tools (including data sharing) and/or additional tools or requirements for high value payments	FCA and PSR	Q2 2024
<b>Ensuring effective consumer protection if something goes wrong</b>	Perform a gap analysis of dispute processes	OBIE/future entity	Q4 2023
	Consult, if necessary, on additional dispute process or protection requirements in open banking	FCA and PSR	Q2 2024
<b>Improving information flows to TPPs and end users</b>	Perform a gap analysis of consistent and definitive payment statuses in Faster Payments and open banking	OBIE and Pay.UK	Q3 2023
	Consult, if needed, on changes to error codes requirements	FCA	Q4 2023
	Consider whether further alignment between open banking and Faster Payments error messages is needed	PSR	Q4 2023

Theme	Actions	Owner	Delivery
	Consult, if needed, to require consistent and definitive messaging regarding the payment status	FCA and PSR	Q2 2024
<b>Promoting additional services, using non-sweeping variable recurring payments (VRP) as a pilot</b>	Publish terms of reference for a working group on expanding VRP beyond sweeping use cases	FCA and PSR	Q2 2023
	Publish a discussion paper on principles for commercial frameworks for premium APIs	FCA and PSR	Q2 2023
	Draft a delivery plan and framework to enable a phased roll out of non-sweeping VRP	VRP Working Group	Q3 2023
	Consult, if necessary, on changes to Faster Payments to enable a phased roll out of non-sweeping VRP	PSR	Q4 2023
	Conduct consumer research to identify critical and future use cases and risks for (vulnerable) consumers	FCA and PSR	Q4 2023
	Consult, if needed, on requirements to support non-sweeping VRP roll out and/or to adopt a wider multilateral agreement for premium APIs	FCA and PSR	Q2 2024
	Support testing of innovative data sharing, authentication and identification propositions	Ecosystem, future entity and FCA	Ongoing
	Implement a multilateral agreement or rulebook for premium APIs	Ecosystem	Q4 2025
<b>Finalising the design of the future entity</b>	Establish alternative governance arrangements for non-Order activities for the OBIE	FCA, PSR, CMA and OBIE	As soon as possible in Q2 2023
	Develop a market pricing framework for non-order functionality	OBIE	Q2 2023
	Finalise the design of the structure, governance, and funding of the future entity	FCA, PSR, ecosystem	Q3 2023
	Expected start of the transition from OBIE to the future entity (subject to the CMA's consent)	OBIE, CMA	Q4 2023
<b>Across all themes</b>	Publish a progress update and set out refined views on the design of the future entity	JROC	Q4 2023

# Glossary of terms used in this document

Term	Description
<b>API</b>	Application Programming Interface, a way for two applications to communicate with each other
<b>APP</b>	Authorised push payment, usually used to refer to APP scams.
<b>ASPSPs</b>	Account Servicing Payment Service Providers are financial institutions that offer a payment account with online access. This includes banks and building societies.
<b>CMA</b>	The Competition and Markets Authority
<b>CMA9</b>	The nine largest banks and building societies in Great Britain and Northern Ireland, based on the volume of personal and business current accounts. They comprise AIB Group (UK) plc trading as First Trust Bank in Northern Ireland, Bank of Ireland (UK) plc, Barclays Bank plc, HSBC Group, Lloyds Banking Group plc, Nationwide Building Society, Northern Bank Limited, trading as Danske Bank, The Royal Bank of Scotland Group plc, Santander UK plc (in Great Britain and Northern Ireland)
<b>FCA</b>	The Financial Conduct Authority
<b>JROC</b>	Joint Regulatory Oversight Committee (the 'Committee'), comprising the FCA, PSR, CMA and the Treasury
<b>Non-Order Activities</b>	These are any other activities which are outside the scope of the CMA Order. More information is available here: <a href="https://assets.publishing.service.gov.uk/media/63bed8958fa8f513b40f866c/BANKING_PROVIDERS_Roadmap_Completion_Decision_.pdf">https://assets.publishing.service.gov.uk/media/63bed8958fa8f513b40f866c/BANKING_PROVIDERS_Roadmap_Completion_Decision_.pdf</a>
<b>NPA</b>	New Payments Architecture.
<b>OBIE</b>	The Open Banking Implementation Entity
<b>Order Activities</b>	These are activities directly within the scope of the Retail Banking Market Investigation Order 2017 (the 'CMA Order') as they relate to open banking. They are summarised in this document on pages 5 and 6: <a href="https://assets.publishing.service.gov.uk/media/63bed8958fa8f513b40f866c/BANKING_PROVIDERS_Roadmap_Completion_Decision_.pdf">https://assets.publishing.service.gov.uk/media/63bed8958fa8f513b40f866c/BANKING_PROVIDERS_Roadmap_Completion_Decision_.pdf</a>
<b>Pay.UK</b>	The recognised operator and standards body for the UK's retail interbank payment systems
<b>PSR</b>	The Payment Systems Regulator
<b>PSRs 2017</b>	The Payment Services Regulations 2017, the UK's implementation of the Payment Services Directive 2, as amended or updated from time to time and including the associated Regulatory Technical Standards as developed by the EBA
<b>SCA-RTS</b>	Regulatory Technical Standards on Strong Customer Authentication and Secure Communication.

Term	Description
<b>Sweeping</b>	Sweeping is a generic term for the movement of funds between a customer's own accounts, a 'me to me' transaction
<b>SWG</b>	Strategic Working Group, a non-decision-making consultative forum on the future of open banking
<b>The Treasury</b>	His Majesty's Treasury
<b>TPP</b>	<p>Third-party providers are providers of account information services (AISPs) or providers of payment initiation services (PISPs).</p> <p>An AISP offers online services that provide consolidated information to a payment service user on one or more payment accounts held by that payment service user with payment service providers.</p> <p>A PISP offers online services that initiate payment orders at the request of a payment service user from a payment account held at a payment service provider. This is done with the user's consent and authentication.</p>
<b>TRI</b>	Transaction Risk Indicators, designed to help Payment Services Providers understand more about the fraud and financial crime risk of a particular transaction
<b>VRP</b>	Variable Recurring Payments, a payment instruction that lets customers safely connect authorised payments providers to their bank account to make payments on their behalf in line with agreed limits.

# Annex 1:

## Background and context on JROC and the SWG

### Formation, role and objectives of JROC

- 1.1** The government and regulators are committed to maintaining the UK's leadership in the open banking field. For that reason, in March 2022, the Financial Conduct Authority (FCA), the Payment Systems Regulator (PSR), the Treasury, and the Competition and Markets Authority (CMA) formed the Joint Regulatory Oversight Committee (the Committee), with the shared ambition to build on the success of and further develop open banking.
- 1.2** The Committee is co-chaired by the FCA's Executive Director, Consumers and Competition, Sheldon Mills, and PSR's Managing Director, Chris Hemsley and consists of representatives from the FCA, PSR, CMA and the Treasury.
- 1.3** The Committee seeks to ensure that open banking supports innovation and drives greater competition, delivering benefits to consumers and businesses in the form of new and improved products and services, as well bringing benefits to the wider economy.
- 1.4** The role of the Committee is to oversee the planning and preparation for the future entity, oversee the transition to the future entity, and to define the vision for open banking, including a future roadmap for further development.
- 1.5** To inform its proposals and recommendations, as well as the SWG, the Committee has engaged widely with industry participants and other important stakeholders, including end user representatives.

### Objectives of JROC

- set out recommendations for the design of the future entity and the necessary interim governance and funding arrangements
- considering the vision and strategic roadmap for further developing open banking beyond the scope of existing requirements
- providing appropriate input to the Treasury on the permanent future framework for regulatory oversight of open banking (the long-term regulatory framework)
- advising the CMA on the transition from the OBIE to the future entity and overseeing this transition, as well as guiding the transition from the interim arrangements to the permanent future framework
- overseeing and advising the future entity (once established) on an interim basis until the formal regulatory framework is in place

## Authorities' remit in relation to open banking

- 1.6** The Financial Conduct Authority authorises, regulates and supervises open banking and payment firms and is the main competent authority for the Payment Services Regulations 2017 and related instruments (that include open banking requirements).
- 1.7** The Payment Systems Regulator is the economic regulator for payment systems and, under the Financial Services (Banking Reform) Act 2013, has oversight of designated payment systems and participants in those systems. This includes Faster Payments, which provides critical infrastructure to facilitate open banking payments.
- 1.8** The Competition and Markets Authority is responsible for the residual open banking obligations under the CMA Order and leading the transition of open banking.
- 1.9** The Treasury leads the development of the long-term regulatory framework including legislation to support open banking.

## JROC's work to date

- 1.10** Since its creation in March 2022, JROC has met regularly to progress the development of open banking. Minutes are available online.<sup>8</sup> In December 2022, the Committee published a joint statement<sup>9</sup> to set out the vision for open banking and emerging thinking on the design of the future entity, covering structure, funding and governance.
- 1.11** The Committee convened a Strategic Working Group (SWG) to support the further development of the vision and strategic roadmap for open banking. The SWG facilitated the Committee's engagement with industry participants and other important stakeholders, including consumer and business representatives. The SWG's final report<sup>10</sup> was published by its independent chair in February 2023.

## The Strategic Working Group

- 1.12** The SWG operated from August 2022 to February 2023 and was established as a non-decision-making consultative forum to collate views and input from the ecosystem regarding the vision and roadmap for developing open banking.
- 1.13** The SWG was independently chaired by Bryan Zhang and comprised industry, consumer and business representatives and independent subject matter experts, with the OBIE providing secretariat support.
- 1.14** The SWG process was organised into a series of thematic 'strategy sprints', focusing on three priority areas set by JROC: open banking payments, open banking data, and the open banking ecosystem. The first phase of sprints focused on gathering stakeholder views on the current state of open banking and changes or gaps identified for an improved future state.

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<sup>8</sup> JROC Minutes, <https://www.fca.org.uk/firms/future-open-banking-joint-regulatory-oversight-committee>

<sup>9</sup> JROC Joint Statement, <https://www.gov.uk/government/publications/joint-statement-by-hm-treasury-the-cma-the-fca-and-the-psr-to-update-on-the-future-of-open-banking/joint-statement-by-hm-treasury-the-cma-the-fca-and-the-psr-to-update-on-the-future-of-open-banking>

<sup>10</sup> SWG Final Report, <https://www.openbanking.org.uk/swg/>

- 1.15** The second phase of sprints focused on gathering stakeholder views on the actions and activities that should be taken forward in the short and long term to achieve that more optimum future state and the role of the future entity and other key actors in doing so.
- 1.16** In total, the SWG secretariat received 189 pieces of written evidence from 104 different organisations, and 88 people representing 71 institutions attended the SWG and panel sessions. In addition, 100 people representing 89 institutions attended two public SWG information sessions.
- 1.17** This input allowed the SWG to publish its final report in February 2023. It lays out the perspectives and evidence submitted across both sprint phases, including possible actions to take forward and the prioritisation of these. It demonstrates that there is a clear intention across the ecosystem to progress open banking, with discussion coalescing around the key themes outlined in the roadmap section of this report. There were also areas where there were clear differences of opinion, both between stakeholder groups and within segments.
- 1.18** The final report and the SWG submissions have been a valuable input to the Committee in defining this roadmap and considering future entity design options as set out in this report.

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