

# Open Banking Outlook June 2024

# About this Report

This report is part of Vixio PaymentsCompliance's Outlook series, which provides subscribers with forward-looking insights and consolidated research on key segments of the global payments industry.

This edition is designed to provide high-level intelligence and forecasts for the international open banking market, which continues to see growth, innovation, regulatory refinement, evolution and collaboration among diverse stakeholders.

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## Notable Numbers

# 2,537

Europe (ex. UK) leading the way in API products, making up more than 45% of the global offering\*

\*According to July 2023 Platformable report

# 217

TPPs in operation in the EEA area were based in the UK at the end of 2023 — nearly 40%

# 65%

Regulation driving the majority of open banking developments in 2023

# 488%

Massive projected growth of API calls from 2023 to 2030\*

\*According to data from Openbanking.org.uk

## Global Overview

Open Banking, a dynamic framework designed to encourage openness and adaptability, has emerged as a transformative force in managing personal finances and data, responding to regulatory concerns around “screen scraping” techniques to extract data from internet banking and other online financial services.

The EU’s revised Payment Services Directive (PSD2), the first major regulatory move to allow for open banking, banned the use of screen scraping due to security concerns and the potential for service disruptions, providing instead for a more efficient solution that promotes and develops online and mobile payments.

However, screen scraping remains in use in various jurisdictions such as the US, where open banking frameworks have not yet been fully adopted or mandated.

As open banking evolves and extends to larger-scale open finance, it is rapidly emerging as a global phenomenon reshaping the financial ecosystem. Currently, nearly all of the countries in the world have some form of open banking initiative, each tailored to address local financial needs with differing regulations.

In countries where open banking has been implemented, its transformative benefits are increasingly apparent, for customers and financial businesses. They include:

### » Improved customer experience

Empowering individuals with greater control over their personal information and enhancing portability and flexibility, open banking fosters a more personalised and seamless banking experience.

### » New revenue streams

Open banking creates ground for innovative business models, opening doors to previously untapped revenue opportunities within the financial ecosystem.

### » Financial inclusion

Widening access to a broader array of financial products and services, open banking plays a pivotal role in promoting financial inclusion and reducing disparities in access to banking services.

# The Future of Open Banking

## The challenges to open banking development

The successful evolution of open banking owes itself much to the collaborative efforts of stakeholders and the adaptability of regulators. Embracing technological advancements and adhering to local considerations, while simultaneously mitigating risks and upholding market equilibrium, are all required to thrive. Nonetheless, even if all of these achievements are accomplished, there are three broad challenges facing open banking development.

The first challenge centres on issues around the economics of open banking services. A pertinent question is whether open banking ought to be monetised, and if so, how and to what extent?

In markets lacking a centralised organising entity, the absence of a bridge between data providers (banks) and third parties poses a challenge in determining an acceptable pricing framework. In countries where there is a centralised organising entity, the current challenge is agreeing on what is a fair transaction price.

Secondly, security and trust issues between traditional banks and third parties present an ongoing challenge. Questions regarding liability in cases of fraud or data loss remain unresolved.

Consumer protection from fraud and scams are receiving heightened attention in 2024, further emphasising the need for robust compliance efforts.

Finally, non-standardised APIs can create a significant challenge for third-party providers who need to adapt to each API. APIs are a critical part of open banking and are particularly important for enabling the secure exchange of information between different parties, so variations in the technology can cause headaches.

Standardisation involves making sure that different parts of the banking system, including banks, payment service providers (PSPs) and merchants, all work together smoothly. This requires having compatible technology between everyone involved, as variations in APIs can make collaboration more complex, raise costs and extend timelines for service providers. Furthermore, the fact that there is no globally adopted API standard could lead to global fragmentation of the open banking ecosystem and an obstacle to achieving cross-border functionalities in the short-to-medium term.

PSD3 in Europe is focusing on developing API standardisation, to help unify the EEA market and potentially kickstart a globally adopted API standard, which will contribute to the development of international interoperability.

## Where is open banking going?

The transformative potential of open banking is evident in its gradual reshaping of the finance industry. It is now also extending beyond traditional banking to encompass a broader concept known as open finance, as demonstrated in markets where open banking has already been established.

Open finance integrates various offerings, including deposit accounts, pension plans, mortgages, insurance policies and investment opportunities, into a unified platform, fostering portability across different service providers and beyond primary banking institutions. It extends to industries such as accounting, telecoms and utilities, streamlining processes such as customer onboarding and facilitating variable recurring payments.

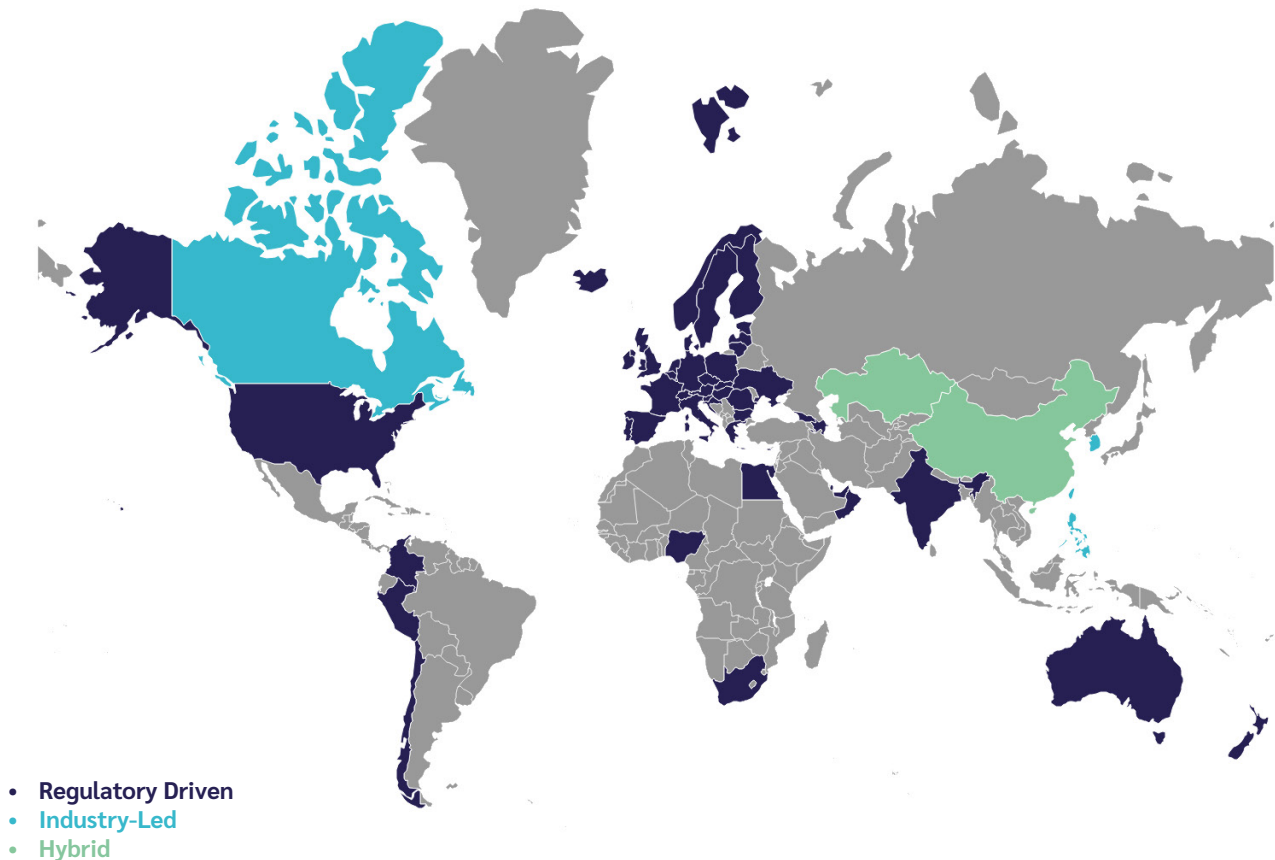
In low- and middle-income countries, open banking holds the potential to drive financial inclusion through the development of new products and business models. For example, Belgium's ItsMe service, boasting 7m users, exemplifies the transformative power of open banking in fostering digital identities and expanding financial access.

Looking ahead, the integration of AI and machine learning into payment systems represents a significant future trend, enabling advanced fraud detection and personalised services. Moreover, advances in technology, including cloud computing, AI and blockchain, will further drive the evolution of open banking.

The outlook for open banking is one of continued growth, innovation, regulatory refinement, evolution and collaboration among diverse stakeholders. As ecosystems evolve, partnerships, alliances and mergers and acquisitions will play a crucial role in leveraging complementary strengths and delivering innovative solutions across various sectors. However, it is essential to address potential challenges, such as current business models, standardisation and data privacy concerns, to ensure the sustainable development and adoption of open banking initiatives.

# A Year In Open Banking — 2023

In 2023, a number of countries made announcements indicating a move to create open banking ecosystems, with more than 65 percent underpinned by a level of regulatory activity.



## Regional regulatory trends

Open banking development hinges on country-specific considerations. In countries such as India and Nigeria (the first African country to roll out an open banking framework), the regulations are aimed at expanding financial services provision. Meanwhile, in countries such as the US and Australia, regulators are focusing on fostering competition and enhancing customer control and flexibility.

These examples highlight two converging global trends. The first is the integration of third parties into the

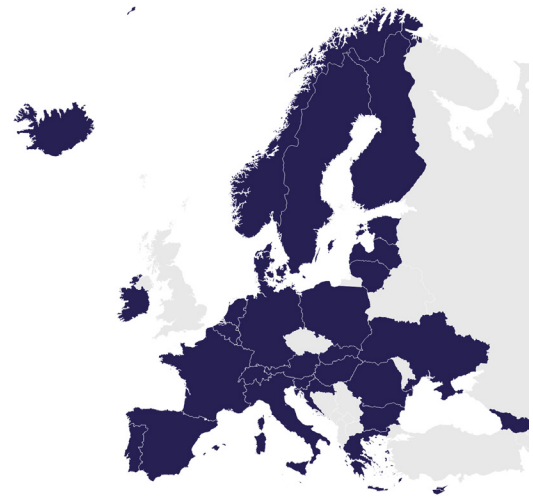
financial sector's business processes, necessitating structured and standardised API access to data and the capability to initiate specific business activities, such as payments. The second focuses on innovation and inclusion, broadening the reach of financial infrastructure and systems to non-bank payment service providers, such as telecommunications companies and supermarkets, and recognising their growing importance in the financial landscape.

## Europe

The European journey into open banking began with the establishment of the revised Payment Services Directive (PSD2), where regulatory bodies laid down the foundational guidance and rules. Since its inception in 2018/19, PSD2 has been instrumental in shaping open banking. Statista data projects that 64m users in Europe will be using open banking by the end of 2024, compared with just 28m in the Far East and China.

However, the implementation of open banking across Europe is varied, reflecting individual jurisdictional idiosyncrasies. This diversity remains, regardless of formal adherence to European Union guidelines, largely due to the varied transposition of PSD2 into national law.

The forthcoming PSD3 and the accompanying Payment Services Regulation (PSR) represent the next evolutionary step from PSD2. Their aim is to bring about greater harmonisation within the payments market and to ensure a more uniform experience across the EU, thereby minimising the room for national discrepancies. These regulations are expected to come into effect in 2026.



Widespread adherence to EU guidelines has led to a regulatory-driven approach across multiple European jurisdictions

Currently, Europe is witnessing a trend towards broadening the accessibility of payment systems to include non-bank payment service providers. This shift acknowledges their growing significance within the payment market and is indicative of the evolving open banking landscape toward open finance in Europe.

## Key Regional Developments

EEA	Jun 23	Regulatory Driven	The revised Payment Services Directive (PSD3), the Payment Services Regulation (PSR) and the framework for Financial Data Access are introduced. With elections in 2024, finalising these proposals is not expected until at least later in the year.
Georgia	May 23	Regulatory Driven	The National Bank of Georgia launches its open bank technical sandbox. The central bank also approves the regulation on registration and regulation of payment service providers.
UK	Apr 23	Regulatory Driven	The Joint Regulatory Oversight Committee published recommendations for the next phase of open banking in the UK. It then followed this up with more proposals in April 2024 on the design of the future entity for open banking.
Ukraine	Aug 23	Regulatory Driven	The National Bank of Ukraine approves the Open Banking Concept defining the roadmap for areas of development and key requirements for the introduction of Open Banking in Ukraine. Open banking is expected to launch in the country in 2025.

## North America

North America lags in open banking: the big banking and finance sectors there have hindered rapid growth and adoption of open banking technologies. In the US, especially, the banking scene has mostly been about closed systems that are not standardised and not keen to change quickly.

However, the Consumer Financial Protection Bureau's proposed Personal Financial Data Rights rule explicitly aims to steer the market towards open banking. The CFPB's open banking proposed framework will move towards a more decentralised market and will require that, as in the UK, banks provide APIs, which allow data to be easily shared.

In Canada, there is no well-defined regulatory framework, although the government [announced](#) its potential open banking framework in April 2024 as part of its annual Budget proposal. At the time, the Department of Finance said that the government intends to introduce further legislation concerning governance, scope and criteria, and process for technical standards in Spring 2024.



North America lags behind in open banking, but both the US and Canada have potential regulatory frameworks currently being prepared.

## Key Regional Developments

Canada	Jul 23	Industry-Led	Briefing note delivered to the minister of finance on next steps to advance open banking in Canada, to spark interest following an earlier survey that found awareness and interest in open banking is low. In April 2024, the Department of Canada included a framework for the implementation of consumer-driven banking, also known as open banking, in the budget proposal.
US	Oct 23	Regulatory Driven	The Consumer Financial Protection Bureau introduced proposals to consider financial data sharing and portability, but followed up in December to say that this is a good first step but there is a long way to go regarding open banking in the country.

## Latin America

At the start of 2023, Chile launched the Fintech Law, joining Brazil, Peru, Colombia and Mexico in regulating open banking.

Brazil is the only country in the region with robust regulations on open banking. It is currently progressing towards a completely regulated open banking framework. The final stage of the country's regulatory progress, known as Phase 4, has been in progress since December 2021. This concluding phase introduces open finance, which enables the sharing of data concerning investments, pensions and foreign exchange services. The Central Bank of Brazil is responsible for regulating and governing the implementation of this next phase.



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Colombia	May 23	Regulatory Driven	President Gustavo Petro's four-year National Development Plan, which includes a new open data mandate, is given the green light by the legislature.
Peru	Sep 23	Regulatory Driven	The Commission for the Defence of Free Competition puts forward recommendations for promoting competition between fintech companies for the benefit of consumers, which include recommendations for the further implementation of open banking.






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## About Vixio PaymentsCompliance

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Vixio PaymentsCompliance is a fast, effective and user-friendly platform that supports compliance activities, removing time-consuming and resource-heavy manual searches and lowering associated costs. With PaymentsCompliance, customers can access real-time regulatory intelligence and updates in 140+ jurisdictions across the world through horizon scanning, expert analysis, and insights to better understand and prepare for changes in payments regulations.



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