

This Roundtable was held as part of the Elevandi Insights Forum during the 2022 Singapore FinTech Festival. Convened by Switzerland's State Secretariat for International Finance (SIF), and moderated by Nicolas Brügger (SIF Senior Policy Advisor) and Brad Carr (National Australia Bank Executive for Digital Governance), the session brought together 20 leading practitioners, officials and academics from across the world.

While the discussion was conducted under the Chatham House rule and so comments are unattributed, this note summarizes the key themes that emerged from the roundtable, and some important calls to action.

The opinions expressed herein are the personal views of the Roundtable participants and do not necessarily reflect the official views of the hosts and their respective organizations.

Summary

Five key themes emerged in the discussion (outlined further below):

1. **Open Data is happening right now:** there is substantive momentum across many different markets, and not always waiting for legislated or mandated solutions.
2. **The customer owns their data:** a central tenet is empowering and enabling customers to direct their data as they choose, for all of their data, wherever it currently resides.
3. **Look beyond sectoral boundaries:** for increased adoption, for more relevant use cases, and for better consumer outcomes, Open Data cannot be limited to traditional sector confines.
4. **Security is paramount:** amidst an environment of increased data security threats, Open Data sharing must be safe and secure, with infrastructure, robust governance frameworks and identity solutions to support.
5. **Cross-border connectivity:** the valuable opportunities of Open Data can be optimized across borders, necessitating international standards.

To pursue the potential for superior consumer outcomes and economic development, this discussion gives rise to a series of calls to action:

- **Move beyond the 'compliance mentality':** where Open Banking regimes have been mandated, this has often imposed considerable compliance obligations on the incumbent firms. Firms and governments alike need to move beyond the compliance focus, and towards a greater emphasis on commercial investments that aim at enhancing customer experiences.

- **Face up to the cross-sectoral regulatory challenge:** Open Data brings opportunities and market competition threats that are not limited by sectoral boundaries – the same boundaries that underpin most traditional regulatory designs and mandates. The truly cross-sectoral nature presents policy and regulatory challenges that demand new thinking, and we need to face up to that.

- **Bring the same Open Data empowerment lens to solving identity:** particularly in societies with a high value on personal privacy and/or misgivings for central national identity systems, the rise of self-sovereign identity will need to be accompanied by secure, customer-controlled solutions for verification. Open Data offers a powerful precedent.

- **Convalesce around international standards:** the future of finance, eCommerce, communications and data management is not only cross-sectoral, but also cross-border, and cross-border standards will be crucial enablers. Governments and industry need to convalesce around international standards, via initiatives such as Switzerland's OpenWealth standard and G20 and G7 efforts towards the 'free flow of data with trust'.

Substantive Discussion

The key observations shared in the Roundtable are further described, under the five key themes that emerged.

1. Open Data is happening right now

There is significant momentum and activity underway towards Open Data, whether in formats that are mandated or that have emerged from the market even in the absence of a legislated framework. While the concept has now been available for some years, in various guises such as Open Banking and Open Finance, it is starting to get genuine traction, at scale.

Broadly speaking, there are three types of approaches observed:

- i) Rules driven (e.g. EU, UK, Australia);
- ii) Authority driven (e.g. Singapore); and
- iii) Market driven (e.g. USA, some ASEAN markets).

Rules driven approaches have tended to be more effective thus far, but the other approaches can also deliver great outcomes for consumers and the economy, as it is appearing in the nascent developments in ASEAN. A key feature here has been the emergence of new firms that specialize in enabling the secure porting of consumer data between financial providers.

Across all such approaches, the common success factor is that Open Data offerings must be based on use-cases that reflect real customer pain points and satisfy genuine customer demands. While some legislative initiatives have limited the scope of the initial approach (e.g. PSD2 in the EU) to enable incremental adoption and to potentially demonstrate the first mover opportunities, adoption is occurring faster where there are not such limitations.

Where bank-specific legislation has driven development, one observed phenomenon is that the incumbent banks have often tended to view Open Banking as a compliance exercise, thereby seeking to limit their capital expenditure and not emphasizing the customer experience, underlining the need for an Open Data ecosystem that is built on solving customer problems.

While the issue of costs cannot be avoided, it is crucial that partnerships can be built, and that multiple data sources can be combined, with the active involvement of data holding entities. Much greater frictions are imposed under alternative models where firms charge each other for access to customers' data. It was noted that:

"I worry about the free-rider effect for data, and this is quite a policy conundrum; because alternatively, if everyone starts charging for data, it could stall the market development."

2. The customer owns their data

Open Data frameworks need to reflect the customer's rights and control, and ensure that they are empowered to direct where their data is shared or passed, within secure environments. One of the participants nicely captured this idea in the following way:

"Ultimately trying to benefit the customer should be the starting point."

An interesting quandary that has emerged in Open Banking and Open Data regimes so far stems from the fact that the Financial Services sector typically holds a vast amount of standardized customer data and this is therefore easier than in most other sectors to unlock and enable access for third parties.

While this is understandable as a practical starting point, it is crucial to expand this access for all customer data, wherever it is held across all firms and all sectors. This will enable customers to be empowered across all of their data, throughout the full breadth of the economy, and place all firms on a common footing of needing to support customer-elected data portability.

3. Look beyond sectoral boundaries

Meeting customer demand requires collaborating across sectors and enabling customers to leverage all of their available data. Not surprisingly, the most promising cases of new digital banks in ASEAN markets are those where an existing industrial conglomerate, with existing customer relationships and customer data, is involved.

The progressive sector-by-sector expansion beyond just 'Open Banking' is underway in Australia and the UK, to subsequently embrace a similar model for the likes of energy retailing and telecommunications. These initiatives are welcome and will further empower consumers and enable better economic outcomes, but they are merely incremental, with the sector-specific nature limiting their potential. Ultimately, Open Data will be most effective and generate the greatest adoption when it is unconstrained by sectoral definitions and boundaries.

Concurrently, it must be recognized that the policy environment is challenging, particularly with the existing variances in the scope of regulation and the mandates of supervisory authorities. It will be critical to face into these challenges, and to overcome them. This may necessitate new thinking in the approach to regulatory structures, emphasizing the cross-sectoral nature of important concepts of consumer protection, data security and market integrity.

Competition policy also becomes more critical, in seeking to enable the maximization of the benefits that can be created through data aggregation, while concurrently limiting the potential negative consequences where new market concentrations could emerge. Put in the words of one of the participants:

"Data aggregation brings a series of risks, such as market dominance and concentration, and the intersection with data localisation."

4. Security is paramount

Amidst heightened consciousness of cyber-security threats, scams and identity theft, and several high-profile cases of data security breaches, it is vital that customers can feel safe in sharing their data. As soon as an entity starts dealing with a consumer's data, a fiduciary responsibility should be created, and this should apply irrespective of whether the entity is regulated or not. A common fear on the maturity and recognition of this responsibility was well articulated:

"It can become problematic when you're getting into data-sharing with parties that don't have the same fiduciary responsibility to the customer that you do."

It is therefore pivotal that all firms participating in an Open Data ecosystem are adhering to the highest of security standards. It is also important that secure APIs are accessible for all providers, which in turn requires a greater degree of standardization, to deter screen-scraping 'work arounds.'

Trust is one of the key building blocks to foster Open Data, and robust governance has a tremendous role to play in underpinning this. Governments, regulators and the financial industry can all contribute towards the development and implementation of governance frameworks and standards, just as they also need to contribute other security enablers in infrastructure and digital identity.

Open Banking and Open Data regimes may also offer an important precedent to improve security throughout the digital economy, via 'open identity.' Just as consumers can be empowered to port their financial, telecommunications and energy data through secure API channels, always selecting what specific data is shared and with whom, so too could they select parties to validate their identity attributes, per the precedents of the Nordic BankID scheme, the Pan-Canadian Trust Framework, and the work of the OpenID Foundation.

5. Cross-border connectivity

Companies and individuals move and transact across borders, with financial flows, bank accounts and investments, as well as communications and eCommerce – and data.

Economic development and trade will be supported by businesses being able to seamlessly offer cross-border services, and having access to data "located" in other countries. To date, there still exist many challenges coming especially from regulatory requirements, additional localization restrictions, and the lack of international standards. Provocatively put forward by a participant:

"Most of the obstacles to cross border data flows are intentional by nation states that want to resist it; it's a feature not a bug, they don't want cross border payments profiles flying around."

Open Data is being fostered in Asian economies, especially through public-private cooperation. For example, India has made massive progress in areas such as digital identity, digital bills and tax declarations. We need these kinds of infrastructure and frameworks on a cross-border basis.

An analogy can be drawn with the early development of the internet: the experiences were initially very different depending on the systems you were using, but those times are now gone and standards are being used (although admittedly with some schisms more recently emerging in the so-called 'splinternet' divisions between the western economies and China). Open Data might today be where the internet was 40 years ago, and in need of a similar journey towards greater international standardization. The OpenWealth standard developed in Switzerland provides a significant precedent in this respect.