

OPEN BANKING IN THE U.S.

WHERE ARE WE?





WELCOME TO FEARLESS IN FINTECH

As leaders in this industry, we have a moral imperative to use our time and talents to change the world for the better.

In financial services, as in life, change is the only constant. And it takes fearlessness to not just adapt to change, but to drive it.

At a time where increasing inclusion and reducing homogeneity are now overt industry goals, we are grateful for efforts to shine a light on a broader group of financial professionals.

And now, more than ever, new perspectives are needed. The best minds of our generation have been dedicated to optimizing online ads. We must do better.

As the industry moves towards open banking, it is critical that financial professionals are change agents who can implement strategies that improve the financial strength of their customers individually, and the economy at large.

In the meanwhile, increased collaboration is needed to share best practices and collectively develop frameworks for the future of banking.

At MX, our mission is to improve the financial lives of individuals everywhere. Thanks for joining us as we co-chair this inaugural 'Fearless in Fintech' conference with Wharton Business School.

Jane Barratt
Chief Advocacy Officer
MX Technologies, Inc





OPEN BANKING & DATA SHARING IN THE US

In the past decade we have seen the rise of 'open' initiatives. We now have open source software, open government and open innovation. Up next? **Open banking.**

Open banking means that banking data is accessible and shareable with third parties upon customers explicit consent via secure APIs



People own their data and should be able to choose to share it securely, privately and with clear intent for its use. Data sharing allows for the development of innovative products and solutions to help people and businesses improve their financial strength.



The industry is moving away from credential sharing and screen scraping to the secure exchange of financial data via APIs.

For financial institutions, data sharing via APIs is a way to help protect customer data as it flows through the ecosystem; and the ability to provide and connect to more innovative solutions.

WHO?

The open banking and data sharing ecosystem revolves around the financial needs of customers, and includes regulators, financial institutions, online banking providers, data aggregators, industry working groups and customer advocacy groups.

There has been considerable industry collaboration around technical standards and customer experience, with much work still to be done before widespread acceptance and implementation. In the US, no regulations or policies are in place as yet on governance or oversight of the ecosystem.

HOW?

Previously, people would access and share their data by sharing their credentials (user-name and password).

With standardized APIs and protocols, banks and authorized third parties will share secure 'tokens' to share data that is more private and secure.

Open Banking Around the World

Open Banking is gaining momentum around the world. Countries are approaching open banking and data sharing in different ways, but to the same end goal – how to securely share customer data with third parties via APIs. There are no global standards as of yet, and current approaches to figuring out how to make open banking work range from significant government direction and oversight (e.g. Australia) to a more industry driven approach (e.g. US).

Centralized | Government Driven Approach

Decentralized | Market Driven Approach



Australia



Europe



UK



Hong Kong



Mexico



Canada



USA



MX PRINCIPLES OF DATA-DRIVEN INNOVATION

People currently share their data with a spectrum of providers with little consistency as to how their data is used, stored and shared. Open banking can increase the protection of data, while allowing people freedom to share it with applications or companies that offer products, services or price points they aren't getting elsewhere.

This ultimately can improve the financial strength of individuals, households, and in turn, the economy at large.

The goals of these principles are to address some of the issues in the data sharing ecosystem, and influence higher standards across the board to enable better outcomes for customers.

GOVERNANCE & REMEDY

The ecosystem to agree on reporting, oversight and actions for bad actors.

PORTABILITY

Regardless of where a customer has their money and data, if they choose to change, they should be able to take data with them.

SECURE

Institutions and Fintechs to commit that their data is secure, in easily understood language, with clear implications for breaches.

INTENT

Beyond just giving consent, people should be clear about the intent and implications of data sharing. Fintechs and institutions to disclose their intent when collecting data too.

PRIVATE

Personal data is personal. PII should not be shared with 3rd or 4th parties and systems should be in place to delete or revoke access. Until token usage is widespread, credentials should be handled with highest security protocols.

CUSTOMERS OWN THEIR DATA

Accurate and accessible financial data is a key ingredient of long-term financial strength; and should be considered a personal asset. People own their data & should be able to access it freely, securely and with clear restrictions on usage.

NO RESALE

Personal data should not be resold without the express approval of the data owner. People should be able to access a list of companies to whom their data has been sold or shared.

A LA CARTE

People should be able to share the data points that they believe are important, not a prescribed list of attributes.

REAL-TIME

Critical decisions are being made based on data in real-time. Institutions need to commit to real time accessibility at industry standard up-times.

COMPLIANT

When people share data, they should be advised if the ecosystem they are sharing into is compliant with existing and next generation regulations (eg. GDPR, FCRA). Governance in place to fix bad actors.



OPEN BANKING APPLICATIONS & USES



When customers are given access to data-driven innovation and tools that can help improve their financial lives, the financial institutions that enable them also benefit.

For people, open banking is a secure way to use financial products and services from third party apps and websites to enable them to:

- Compare accounts with a single view
- Make direct payments from bank accounts
- Choose services from a wider competitive set
- Manage money with a single view of all financial accounts in one location
- Take control over financial information
 - Access new products

- Link bank accounts to loyalty programs
- Permission payments through third parties
- Move money & make payments
- Speed up loan applications
- Share data with accountants and advisors



For Financial Institutions, open banking means higher standards of privacy and security throughout the ecosystem, as well as the ability to:

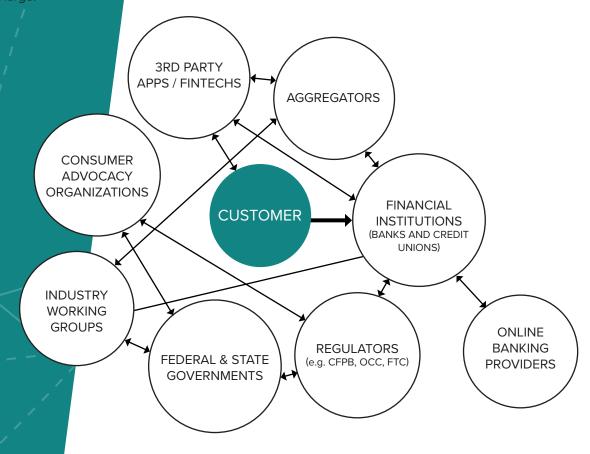


- Augment current services with innovative new data-driven solutions
- Provide insight into 'held away' accounts
- Allow customers more control over what information goes into the ecosystem
- Enable a secure omnichannel customer experience

- Aggregate data to provide holistic views of customers financial lives
- Implement more unified approaches to digital identity management
- Reduce data resale and data exhaust issues

THE DATA SHARING ECOSYSTEM

The financial services ecosystem is constantly changing. And with new technologies, expect to see more players added in the coming years. In the meantime, an enormous collaborative effort is required to bring data sharing to market. An effort that is well worth it given the profoundly positive impact that data sharing can have on people's financial lives and the economy at large.



The Need for Data Stewardship

There's a great quote from the 1970s from a former Citibank CEO*... "Information about money has become almost as important as money itself". If the value of someone's information is as important as their actual money – shouldn't there be rules and oversight in place to protect it, as there is for the actual money? For generations, financial institutions have been the custodians of that data. And now, with data being shared throughout the financial ecosystem, there is a need for all participants to be ethical stewards of that data.

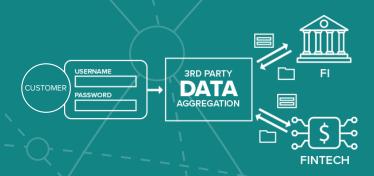
*Walter Wriston Former CEO of Citicorp from 1967 to 1984

THE TECHNOLOGY THAT DRIVES OPEN BANKING

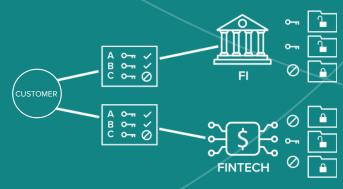


With open banking, people will experience a new level of control over who can access their financial data. This data can only be shared with the customers explicit consent, access can be revoked at any time, and privacy must be respected. So what's the difference between how data is shared now and in the future?

Current Sharing & Privacy Standards



Open Banking Data Sharing & Privacy Standards



Many people are already using this data sharing technology when they use Facebook
Twitter or Amazon to log into third party apps

Currently

When data is shared, the customer has little visibility into where their personal data has been shared or sold.

In the Future

Customers will be able to manage what data is shared with whom via tokens that act like keys. They can grant or revoke access at any time, with personally identifiable information not shared

Decoding Open Banking Acronyms

FI – Financial Institution

PII – Personally Identifiable Information

API – Application Protocol Interface

OFX – Open Financial Exchange

DDA – Durable Data API

FS-ISAC – Financial Services Information Sharing &

Analysis Center

CCPA – California Consumer Privacy Act

GLBA – Gramm-Leach-Bliley Act

GDPR – General Data Protection Regulation (EU)

PSD2 – Payment Services Directive (EU)

GFIN – Global Financial Innovation Network

FDX – Financial Data Exhange (US Working Group)

FDATA – Financial Data and Technology Association

(Global Working Group)

IDESG – Identity Ecosystem Steering Group

NIST – National Institute of Standards & Technology



EMPOWERING THE WORLD TO BE FINANCIALLY STRONG

