

Just the Facts: Empowering the Consumer with Open Banking

The Financial Technology Association (FTA) is a nonprofit trade organization that educates consumers, regulators, policymakers, and industry stakeholders on the value of technology-centered financial services and advocates for the modernization of financial regulation to support inclusion and innovation. The FTA’s “Just the Facts” series aims to inform financial technology policy discussions to safeguard consumers and advance the development of trusted, digital financial markets and services.

Open banking empowers consumers to safely and securely access and share their financial data across financial services providers to obtain greater financial choice, personalization, and outcomes.

- “Open banking” is rooted in the acknowledgment that consumers own their financial data and can share it with another financial service provider to access various financial benefits. Once a consumer selects a financial application or provider, they can share their data through two primary methods: the use of secure application programming interfaces (APIs) or by screen scraping, whereby consumers can share their information (user-name and password) with a trusted third-party to access the necessary data on their behalf.
 - Typically four parties are involved with both methods: a consumer, financial institution, data platform, and a financial application.
 - The ecosystem is moving towards API-based access, with some of the largest financial institutions developing APIs in recent years, but screen scraping is the primary method by which the large majority of banks are currently able to share consumer data.
- Open banking allows consumers more convenient and efficient ways to view and manage their money and shop for new, more tailored, and lower-cost financial services products and providers.
- Open banking facilitates competition by allowing new entrants in the marketplace and ensuring information is no longer trapped with incumbent providers; consumers are empowered to use their data for their own benefit.
- Open banking technology allows access to important tools for unbanked and underbanked consumers, including increased access to credit through identity verification, increased data sources, such as rental, utility, or tax payment history, and no-fee salary advances.

Open banking solutions empower consumers across the globe with a comprehensive and holistic understanding of their financial health and access to financial products that improve their financial outcomes.

- Recent research [highlights the rapid growth of open banking](#) in Europe, where consumers use APIs to share their payment data and where access to new services is expected to double from 2018 through 2021.
- Early data out of the UK demonstrates that open banking is [driving growth in the number of regulated third-party providers](#).
- Open banking and the seamless and secure flow of permissioned data allows fintech companies to offer consumers tailored and improved services; a [recent survey found](#) that 73% of Americans say fintech gives them more control over their finances and 68% say it helps them reduce financial anxiety.
 - Examples of open banking include when consumers seamlessly connect their bank account to a payment app, use personalized financial dashboards to better understand their financial health,

provide access to non-traditional financial data in order to receive credit, and/or aggregate investments with a robo-advisor.

- Open banking further provides opportunities to stimulate payments innovation by permitting direct integrations with banks and offering consumers faster and lower-cost payments services.
- Another [recent survey of consumers](#) found that 77% would value having their financial institution offering them personalized financial advice based on open banking data; 94% would want their financial institution to use financial data to advise them about a better deal on a product.

In early 2021, the Consumer Financial Protection Bureau (CFPB) announced its intention to commence a rulemaking on Section 1033 of the Dodd Frank Act, and a recent Presidential Executive Order directs the CFPB to pursue this rulemaking with the intention of unlocking further financial innovation and choice for consumers.

- Section 1033 states that consumers own their data, allowing them to share their data when and where they like to power personalized financial services.
- Proper implementation of Section 1033 will enhance these dynamics to the benefit of consumers and small businesses.

FTA supports consumer-centric implementation of open banking regulation in the United States to empower consumer choice, data security and privacy.

- By enabling free-flowing information, subject to privacy and security guardrails, open banking gives consumers complete ownership of their financial data, including transaction history, real-time account balances and loan payment history.
- To support consumers' ability to benefit from innovation and competition in financial services, FTA encourages regulators and policymakers to:
 - Establish a broad data right that is consistent across direct and authorized access;
 - Create a level playing field for all Americans and ensure that Section 1033 rulemaking does not generate inequity for consumers, where consumers' access differs depending on where they bank;
 - Allow for the free flow of data from other institutions that touch a consumer's financial life, including payroll companies, telecom, and utility providers, and the government, which can provide, for example, Social Security data;
 - Establish strong guidelines for consumer transparency and control, including that consumers be aware of all parties involved in data sharing and have ownership over which data they are sharing, with whom, and for what duration; and
 - Support standards-development in service of consumer rights by establishing baseline principles and expectations that those standards must meet.