

Key considerations for open finance – Executive Summary

Open finance is a financial innovation that enables customer-permissioned access to and use of financial data held by institutions to provide new and enhanced services and develop innovative business models. It expands on open banking by including a broader range of financial products, such as investments, insurance and pensions.

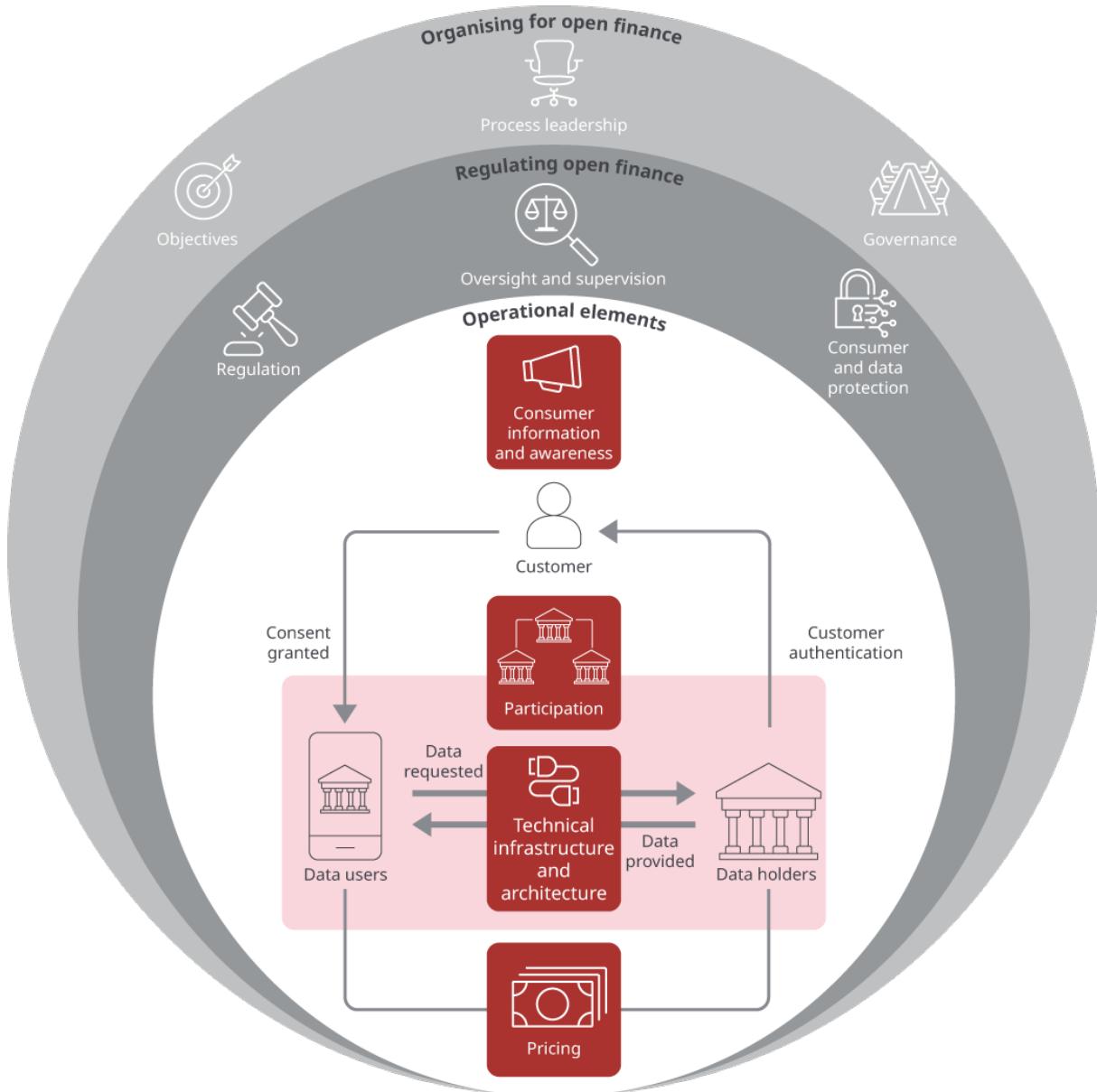
Open finance frameworks have the potential to enhance customer empowerment and experience, impact competition in the financial sector, spur data-driven innovation and improve financial inclusion. Yet open finance can also pose new or enhanced risks, especially as more data are exchanged between financial sector providers. Open finance can also impose new regulatory and supervisory demands, hinder competition if big players dominate and, in the absence of key supporting elements, risks leaving behind certain segments of the population.

A growing number of countries are considering, designing or implementing open finance frameworks. As the development and adoption of open finance becomes a central element of digital financial ecosystems in these countries, there is a unique opportunity to design open finance frameworks in a way that supports responsible financial inclusion and benefits all parties involved, especially those traditionally excluded and underserved.

With this in mind, the Bank for International Settlements, CGAP, the International Monetary Fund, the Office of the United Nations Secretary-General's Special Advocate for Financial Health and the World Bank jointly developed the *Key considerations for open finance*. The high-level considerations are intended for financial sector authorities implementing or seeking to implement or improve open finance frameworks.

The key considerations are structured around 10 key elements of an effective open finance framework (see the chart below). While these are presented as distinct elements, the design choices made under one element will impact other elements, and authorities should consider the interplay between different choices, as well as the possible trade-offs between different policy objectives. The table that follows the chart provides the key considerations for each key element.

Key elements of an open finance framework



Key considerations for open finance

Key elements	Key considerations
Organising for open finance	
Objectives	Define policy objectives and how open finance will contribute to them. This involves identifying the market barriers open finance aims to address, defining which policy objectives open finance seeks, outlining how open finance will help achieve these objectives and assessing whether the key enabling elements are in place.
Process leadership	Recognise the key role public authorities play and the need for collaboration. Public authorities play a crucial role in the design and implementation of open finance. Both collaboration across different public authorities and private-public collaboration are needed.
Governance	Set up effective, transparent and inclusive governance arrangements. Governance arrangements should support the objectives sought through open finance, ensure adequate representation of all relevant stakeholders, and help organise and support the ecosystem's operations.
Regulating open finance	
Regulation	Implement risk-based and proportionate regulation that clearly determines the rules for customer-permissioned data access. All participants must be subject to regulation. If data sharing is mandated, the regulatory framework needs to clarify what data need to be made accessible and by whom. Guidance may be needed to clarify how relevant existing laws and regulations should be applied in the context of open finance.
Oversight and supervision	Guarantee provision of the necessary enforcement powers and resources for oversight of the ecosystem as well as proportionate supervision of all participants. Authorities should have the necessary enforcement powers, mandate, capacity and resources to articulate and implement an oversight policy to adequately monitor the open finance framework and to subject all relevant entities to proportionate and risk-based supervision.
Consumer and data protection	Ensure robust consumer protection and data protection frameworks, including privacy, are in place. Such frameworks need to be established as part of the open finance implementation to build consumer trust, generate positive customer experiences and outcomes, and foster adoption while minimising potential harm. Obtaining valid consent from data subjects before data are shared, including effectively authenticating the customer, is a defining element of open finance.
Operational elements	
Consumer information and awareness	Facilitate consumer awareness and understanding of open finance opportunities and risks. Ensuring that the public is well informed about open finance is important to support customer adoption and enhance consumer protection. Fostering consumers' financial capabilities and awareness is particularly important for reaching traditionally excluded and underserved segments.
Participation	Enable broad participation of financial services providers. Such participation is needed to ensure that as many customers as possible can adopt and benefit from open finance. Reciprocity can offer an incentive to participate. Authorities may also consider mandating the participation of large data holders.
Technical infrastructure and architecture	Encourage the use of standardised application programming interfaces (APIs) and a common architecture. APIs should be standardised to support broad participation, allow for interoperability, reduce costs and ensure data security standards are met. Centralised and decentralised architectures can be considered, depending on priorities and market conditions.
Pricing	Monitor and influence pricing to support policy objectives. Pricing can impact development and adoption of open finance products and services. The impact on policy objectives should be considered. Establishing principles for compensation can reduce complexity and support fairness. Certain circumstances or policy objectives may warrant delaying cost recovery or justify free access for data users.

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