

Steven Maijor: Data make the world go round - on open data and open finance

Speech by Mr Steven Maijor, Executive Director of Supervision of the Netherlands Bank, at the 6th edition of "FinTech meets the Regulators", organised by the Netherlands Bank and Holland Fintech, Amsterdam, 1 June 2022.

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Hello everyone.

A month ago the European Commission issued a complaint against Apple. The commission accused the tech giant of restricting competition in the mobile wallet market by restricting access to near-field communication, commonly referred to as tap and go. The Commission stated that Apple "abused its dominant position in markets for mobile wallets on iOS devices. This has an exclusionary effect on competitors and leads to less innovation and less choice for consumers for mobile wallets on iPhones".

A very interesting case. A case that includes and highlights the issues we will be talking about today; innovation, data sharing, level playing fields and the costs and benefits of technological innovation. Especially the data that are sourced, accumulated and shared by these innovations. Because we all know: data make the world go round-.

The financial sector is no exception to this trend: the need for data in all forms and from all sources. Those data are essential to innovate financial products and financial processes. To enable financial institutions to offer cheaper, faster and more personalised services. To increase efficiency and economic growth.

But to reap all these benefits it has to be possible for consumers and businesses to share their data in a way that safeguards their interests and enables innovation, efficiency and competition.

We have to take open banking one step further into what we call open finance. Open finance goes beyond the scope of data and services available at banks, covering not only payment data, but also data on investments, savings, loans, and insurance, such as claim history. Data that can be used to help financial institutions to make better estimates about risks, because they gain access to the total financial footprint of their users. Data that can be shared with other financial parties, including FinTechs and other third parties.

Under open finance this sharing of data will be based on permission from the data owner, just like with open banking, now regulated by PSD2. Open finance is a big step. A welcome step.

DNB is also taking a first step in making data that we have as a supervisor, available to financial parties. For example, DNB is actively participating in an initiative for a Credit Register for companies, in which data from our reports on the status of corporate loans

are made available to the sector. To banks, but in the future also to credit rating agencies, alternative financiers and other third parties. We will also investigate if, and under what conditions, we can share other available data.

Yes, open finance is an interesting step, that provides interesting opportunities. But it is also a step that is and cannot be without consequences, without questions that have to be raised and answered. Fundamental questions about possibilities and opportunities, about rights and wrongs, about artificial intelligence and the safety, stability and accessibility of our financial system.

This meeting is to do exactly that: raising and answering questions. And the best way to do that is with all the parties involved: regulators, supervised institutions – such as banks, insurers and pension funds – and other key players such as startups, vendors, consultants and academics.

I welcome you all here today at the 6th edition of 'Fintech meets the regulators'. Not on screen but – for most of you - onsite; I am sure that will make the dialogue and discussion more dynamic. Because a spirited dialogue is what we need in order to do what we have to do: create a thriving financial ecosystem that is both innovative and safe, both open and regulated.

Yes, that sounds like a contradiction. But it is not. Not in the financial world we operate in. Because our financial sector is firmly supervised and regulated.

Those rules and regulations, supervisors and regulators are there for a reason; to protect consumers, to ensure a sound and stable financial system, to support our economy. Every player, old and new, financial institution and third party, has to play by the rules.

But that doesn't mean that these rules are written in stone. They can evolve, they can even be written in the Cloud, but they have to be there. Because we have to protect our financial system and ensure financial stability.

DNB aims to be a 'smart supervisor': a data driven supervisor using the latest technologies to make supervision better and faster, while keeping direct and indirect costs at an acceptable level. In a close dialogue with the sector. That is why we have set up the iForum, a platform for initiatives where technology and supervision meet. You will hear more about iForum during the second part of this event.

To be able to be a smart supervisor it is important to understand the possibilities and challenges of new technologies. That is why explainable AI is also one of the topics of this meeting. To understand our obligations – as financial institutions and as regulators - we need a solid and practical framework regarding explainable AI, and the knowhow to make that work. That is one of the challenges we face to make open finance work. For us and for our consumers.

For DNB and AFM that means we have to take our responsibility to regulate these new developments: next to our supervision of PSD2, we will likely be tasked with the

supervision of open finance, and that will have consequences for our mandates. We have to ensure the protection of interests of data holders, to enable data-related innovation, to create a data level playing field.

It is obvious that open finance will not be a national issue. Data make the world go round, but never stop at borders- That is why the European Commission is working on rules to regulate the European and international consequences of data mobility. That is the drive behind the Digital Markets Act, the European Data Act and the Data Governance Act. This year we also expect the Commission proposal for Open Finance.

These proposals will extend the possibility of automated sharing of financial data with third parties from PSD2 to other forms of financial data. They will also make non-traditional, non-financial data available to financial institutions. Think of BigTech data, data generated by your FitBit or by your car.

These initiatives are very important to shape and regulate open finance. We will not sit quietly in the meantime: together with the AFM we will publish a Discussion Paper with our vision on data mobility. This Discussion Paper will look at why regulating data sharing and data mobility is needed. We cannot afford to be blinded by the opportunities open finance and data mobility will offer. Data concentration is a real risk: as we shared in last year's BigTech-report, there can for instance be a risk to financial stability if and when data are concentrated in Big Tech companies. A risk that can result in market failures in data markets, especially when sharing collides with privacy, when data are shared without the knowledge or assent of the data owner, or when the data owner does not realise the consequences of data sharing.

The Discussion Paper will look at these market failures, and set a vision for data mobility to be organized in such a way that the benefits to innovation can be reaped, but the risks and market failures are sufficiently mitigated. It will look at how the consumer's interests can be safeguarded, how we can create a fair 'data playing field' for all financial entities, and consider the role we as financial supervisors can play. But most importantly, it will aim to start a dialogue with all of you, on this important topic.

Because, yes, data make the world go round. Yes, open finance has our attention. Because we are the modern-day cartographers of this uncharted territory.

Of course there will be dragons. But it is our ambition and our challenge to slay those dragons before we meet them.

Let's go to work!