

Purpose of this note: The advisory group was set up to provide advice which informed the FCA's Call for Input on open finance and to feed into the FCA's strategy towards open finance. This document is one in a series of three advice notes produced by the advisory group.

Advice from the 'open finance working group on cohesion and interoperability' to the FCA

"I'd like to see and manage all my finances in one place on the way into work"

The potential for Open Finance is to maximise federated open market innovation, competition and efficiency. Taking a user-centric design approach and ensuring common interoperability will drive up rates of adoption and inclusion while reducing friction and confusion for the end customer. Given the pace of change, now is the time to create foundational principles, practices and regulation.

Cohesion and Interoperability in Open Finance embodies a blend of characteristics including, but not limited to:

- compulsion for firms to participate
- user experience design patterns
- liability models
- product, pricing, terms and conditions data
- dispute resolution (e.g. a single ombudsman)
- consent and consent management
- data rights and access management
- authentication and identity management
- conformance & certification with standards
- legal frameworks
- regulatory permissions
- identification and accreditation of entities
- standardised security protocols
- logistic processes
- technology architecture (e.g. open APIs)
- operating principles, processes and practices
- performance (e.g. service level agreements)

Our advice is:

1. Ensure the whole systems design is anchored around the customer (e.g. fair value exchange, risk is clearly mitigated, systems are demonstrably usable and empowering to the individual).
2. Ensure **openly licensed standards, shared** and **common** processes, principles and practice are made compulsory around cohesion and interoperability across the whole market.
3. Initiate both a multi-stakeholder, federated Working Group which can 'hive up' lessons learned from Open Banking into a central framework, governance and funding structure, and also enable each financial sector to drive their own Implementation Entities to address sector-specific issues (e.g. Open [Insurance/ Pensions/ Investment]).

We further recommend exploring areas which may not have been explored before: this work is fundamental to the future of our digital economy and contains new questions, new threats and new opportunities. It is likely that areas which have not been regulated before (e.g. user experience design, consent) should be considered for regulation. We recommend including diverse organisations in this exploration to ensure all tiers of market needs are met.

We note that any process must be adaptive to a rapidly changing landscape: there is no 'endpoint' to innovation. The compulsion to adopt—and make accessible—standards should be on a continuous basis and to a predictable cadence (e.g. a six-month cycle). We recommend exploring areas that can (or should) be regulated as well as Guiding Principles that can be codified in a Code of Practice.

We highlight that fragmented approaches (e.g. security) will lead to poor competitive outcomes, poor consumer value, increase costs and risks, and not meet the needs of our digital economy.

Our proposed questions as part of an open consultation are:

1. What are your perceived risks and opportunities around Open Finance?
2. How can harmonisation, cohesion and interoperability best be achieved while maintaining pace?
3. Which entities should be involved in both development and industry-specific implementation?
4. Which areas should be prioritised?

Disclaimer The FCA is committed to encouraging debate on all aspects of open finance. As part of this commitment, the FCA established an independent advisory group on open finance to inform its strategy. This publication is the advisory group's advice to the FCA and does not necessarily reflect the views of the FCA. It is however one source of evidence that the FCA may use to inform its views along with responses to the Call for Input.