

OPEN BANKING

SME lending Task Force Sprint Meeting 5 - 24/05/2024

Attendees:

Chair : Charlotte Croswell (CFIT)

Secretariat : Nick Davey, Richard Koch (Open Banking)

CFIT: Ezechi Britton; Leon Ifayemi; Teresa Lam; Tom Laing-Baker

Alan Ainsworth	CCAF
Adrian Maguire	Experian
Agnieszka Scott	DBT
Aysha Fernandes	UK Finance
Andrew Neeson	Visa
Charlie Mercer	Startup Coalition
Celso Nogueira	Transunion
David Cunningham	Lloyds Banking Group Ltd
Gavin Starks	Icebreaker One
Ghela Boskovich	FDATA
Glen Keller	CRIF
Helene Oger- Zaher	FCA
Hetal Popat	HSBC
James Guy	Lloyds Banking Group Ltd
James Glynn- Percy	Yapily
Leighton Hughes	CoLC
Jacob Morgan	Raidiam
Jason Turner	Barclaycard
Rebecca Hickman	Addleshaw Goddard
Kim Jenkins	Moneyhub API
Krystyna Biller	iwoca
Leon Jayasinghe	Tide
Lynsey Rodger	NatWest
Marie Walker	Raidiam
Markos Zachariadis	Alliance Manchester Business school
Neil Taylor	Mastercard
Philip Mind	UK Finance
Renuka Rawlins	Revolut
Rory Tanner	Revolut
Shrey Agarwal	Revolut
Simone Plances	FCA
Tim Birts	Nationwide
Terence Trench	Sage

OPEN BANKING

Apologies:

Adam Jackson	Innovate Finance
Conrad Ford	Allica Bank
Dame Jayne-Anne Ghadia	Ozone API
Dom Hallas	Startup Coalition
Francesco Simoneschi	Truelayer
Gary Parlett	Answer Digital
Hannah Gurga	ABI
Henk Van Hulle	Open Banking Limited
Linda McKensey	Santander
Martin McTague	Federation of Small Businesses
Nick Lee	OakNorth
Nilixa Devlukia	OFA
Rebecca Hickman	Addleshaw Goddard
Robert McKechnie	Equifax
Robert Pivoris	Intuit
Robert Sullivan	Token

New Actions Arising:

1. Chair and Secretariat to look at suggested international comparisons where data sharing models work currently and the conditions that allowed them to come to market.

Actions carried forward

1. Secretariat to look at specific use cases for Model 4 in the presentation and list variants of model 4 and how incentives would work as well as which barriers may exist.
2. Secretariat to propose how MLAs could be constructed to bring about enhanced outcomes.
3. Participants to provide information on individual data items within data sets that should be prioritised.
4. Chair and Secretariat to explore whether data which is included in VAT returns is flagged in Accountancy packages once sent.
5. Secretariat to explore potential sources of Invoice data.
6. Secretariat to explore potential sources of Asset / Securities data.

Summary of meeting:

Agenda:

- 1) Welcome – relevant updates since the previous meeting
 - I. Impact of the General Election on TF Timing
- 2) International Comparisons – Q&A
 - a. Alan Ainsworth - CCAF
 - b. Neil Taylor - MC
 - c. Marie Walker and Jacob Morgan - Raidiam
- 3) Summary of international developments that more clarity is needed on / Actions to take forward.
- 4) AOB

Welcome and background

- The Chair welcomed attendees to the meeting and, for those that were unaware, the general election that was called for the 4th July would mean that the officials would not be able to input into the taskforce and Ministers could not respond to any findings. The Chair had checked with HMT and the response back was to carry on as previously and report into HMT and then the new EST post-election. It was also noted that the work we are progressing is not specific to any political agenda and is beneficial for UK plc, and therefore is expected to be picked up by the new administration.
- It was noted however that the period for reporting back coincides with the week of the election and so the actual date of publication may be a week or two later than originally proposed.
- The rest of the session was given over to 3 speakers on international comparisons and a Q&A from the taskforce.

International comparisons

Alan Ainsworth – Cambridge Centre for Alternative Finance (CCAF)

- Alan introduced CCAF which is currently looking at the development and implementation of Open Banking and Open Finance around the globe. CCAF were talking to a significant 84 jurisdictions on what they have done to date and the plans they have looking forward. This will feed into a report that is expected to be publicly available in a few months' time.
- As part of the work talking to other countries, Alan noted that the current CCAF framework was not looking specifically at SMEs. Alan noted from the conversations he was having it seemed the work of this task force was broadly unique.
- Alan also suggested that there may be a difference between government and central bank drivers of Open Banking and Open Finance which was more aligned to the CCAF work, and commercial providers of SME-related data who may also be operating already under bilateral arrangements, with this in mind he passed over to Neil Taylor from Mastercard.

Neil Taylor - Mastercard

- Neil introduced his area of Mastercard that is responsible for Data Strategy. Mastercard are not a consumer of data in their own right, but are active in many countries utilising their role in providing payments and other services in order to also provide data services that helps its customers. One of these is the ability to aggregate and produce data helpful for lenders.
- Neil noted that there were commercial models that were active in different countries where data is supplied to lenders typically less on the 'mandated' side where governments require it, more in the world where needs have been identified and providers have therefore met that need. To some degree this has followed the wider evolution of how Open Banking and Open Finance has evolved. USA was given as an example where the results of a court case determined the need for banks to change, this provided the genesis of Open APIs among banks, and in deciding they needed to evolve worked together. This provided a market for co-operation and a more commercial and sustainable model than in some other countries. And in the US there was a model for data aggregation and supply to banks on behalf of businesses wanting to borrow.
- Neil contrasted the US experience with Europe where legislators had created the framework for Open Banking through the 2nd Payment Service Directive. Developments in opening up APIs beyond those mandated had been slow and were broadly based on expectations of new legislation such as the 3rd PSD and Payment Services Regulation (PSR). There had been some initiatives such as SEPA Payment Account Access (SPAA) for premium APIs but that hadn't come to full fruition as such; also this was less on data sharing or on lending to SMEs.

OPEN BANKING

- Some EU countries had more domestic initiatives generally based on domestic systems and appetite. Also the level of existing systems and information, where a central bank has a centralised database of account owners then more can be done to check which accounts are linked to a company or a director of a company for example.
- Neil also noted initiatives underway in Australia that could be beneficial to look at, before passing on to Marie Walker and Jacob Morgan from Radium.

Marie Walker and Jacob Morgan - Radium

- Marie and Jacob both work at Radium who provide the trust frameworks for Open Banking and Open Finance, having started in the UK they provide these frameworks internationally. Also both have a research background in Open Banking and Open Finance which places them well to discuss delivery of these products and services around the world.
- Marie noted a lot of interest in this space, and also the strides being taken in the UAE which they are involved in. A more relevant discussion was the speed that India has moved into the Open Finance space – although this was representative of the digital transformation agenda being driven by the central bank and government, such as Digital Identity, Unified Payments Interface (UPI) and other developments. It meant delivery of Open Finance initiatives could be much faster and easier than would be comparable in many other countries such as the UK.
- Marie noted that there were many initiatives in the SME space happening, for example business loans being agreed within the confines of some cloud accounting packages up to \$50k in the US; other lending marketplaces being set up as well as individual firms creating products that looked at integrating with data providers such as Shopify or equivalent providers. A feed that Marie provides has a list of many such stories see: <https://www.open-conversations.org/?s=sme&page=3>

Q&A

- The speakers discussed questions and points on the task force; firstly it was felt that while a lot of money and effort were currently going into the developments of Open Banking and Open Finance in the Gulf, this was in development and therefore not a good example for the UK. A similar discussion suggested Australia is also not so relevant at this stage due to their focus on legislation and not following the UK's implementation model.
- The Taskforce asked whether there were any practical examinations of the benefits that had happened after Open APIs had been developed in relation to lending? Was it clear cut that additional data did lead to increased lending and better lending decisions? This was difficult to show specifically because of the limited international cases. However it was felt that

there was likely to be evidence, as well as looking at different factors such as market valuation of firms that provide such services.

- The taskforce asked about data elements shared in existing models, contrasting with the emerging proposals that better access to government held data as well as Cloud accounting data would provide a better process for SMEs and lenders. It was broadly agreed that these are the sources that are seen internationally, although there are additional considerations such as access to invoice data through e.g. E-Invoice initiatives and/or access to verified sales data.
- The taskforce asked if there was any one country that could be seen to have had comparable issues and come up with a solution that we would be beneficial to consider for the UK. The speakers suggested that international context was very important and that while there have been implementations and examples it is difficult to directly compare on a one to one basis.

AOB

- There was no AOB so the secretariat thanked the taskforce members for attending and looked forward to the next meeting on 31 May to discuss Commercial model and data solutions.

[End Summary]