

# OPEN BANKING

A GAME CHANGER FOR  
THE FINANCIAL ECO-SYSTEM

## Report #1

A Report on Open Banking &  
The Emerging Opportunities in MENA

**SPIRE** | **W** WhiteSight



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## INTRODUCTION

This report has been commissioned by Spire, an Aion Digital company and published in collaboration with WhiteSight. It highlights the Open Banking phenomenon empowering financial services worldwide and the innovation happening in the Middle East.

### WHAT THE REPORT COVERS

**01**

#### **The Global Open Banking Trends**

- An overview of the different approaches to Open Banking & maturity of initiatives on a global scale.
- Which countries are the most equipped for Open Banking?

**02**

#### **MENA Open Banking Trends**

- A deep dive into Open Banking innovation throughout the MENA region.
- What are the regional trends and industry initiatives?

**03**

#### **The Open Banking Evolution**

- Analysis of the emergence & evolution of Open Banking structures.
- What roles & capabilities can banks employ to adopt Open Banking?

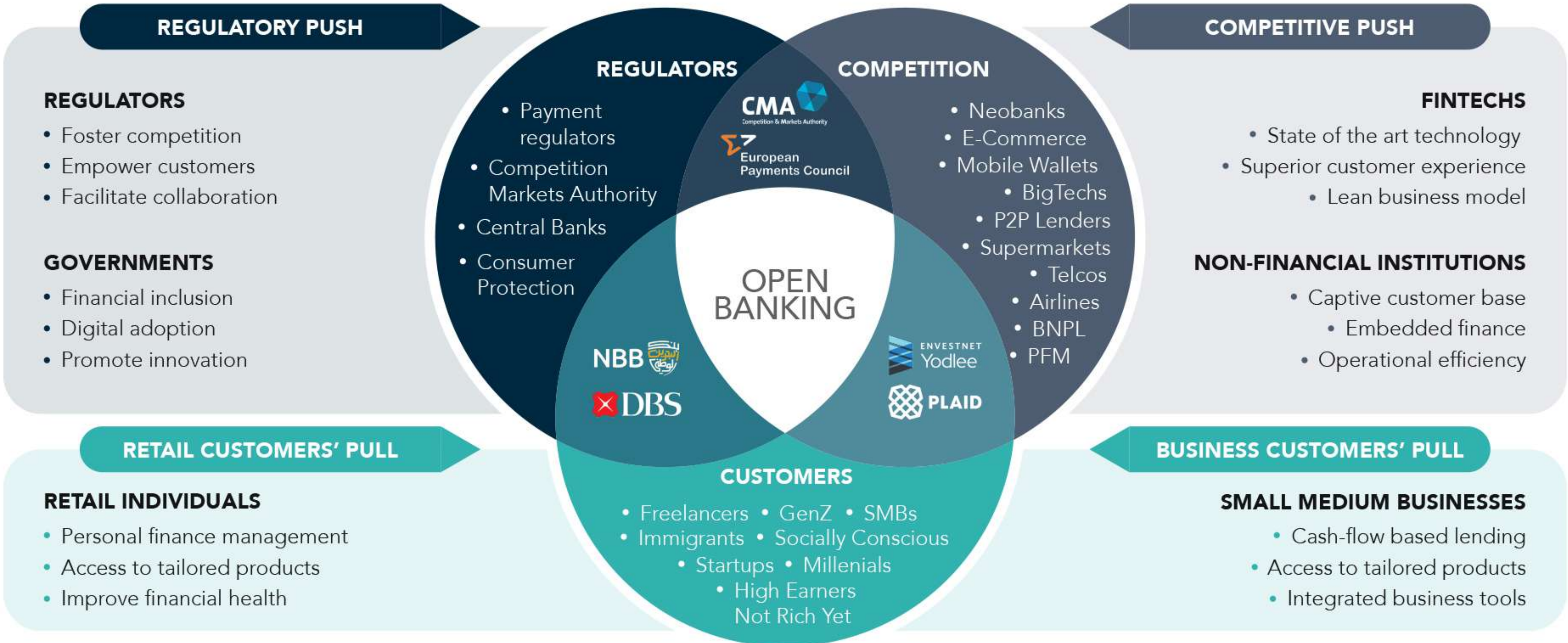
**04**

#### **Industry Point of View**

- Thoughts and opinions shared by key executives on the Open Banking innovation in the Middle East.



## DRIVERS OF OPEN BANKING

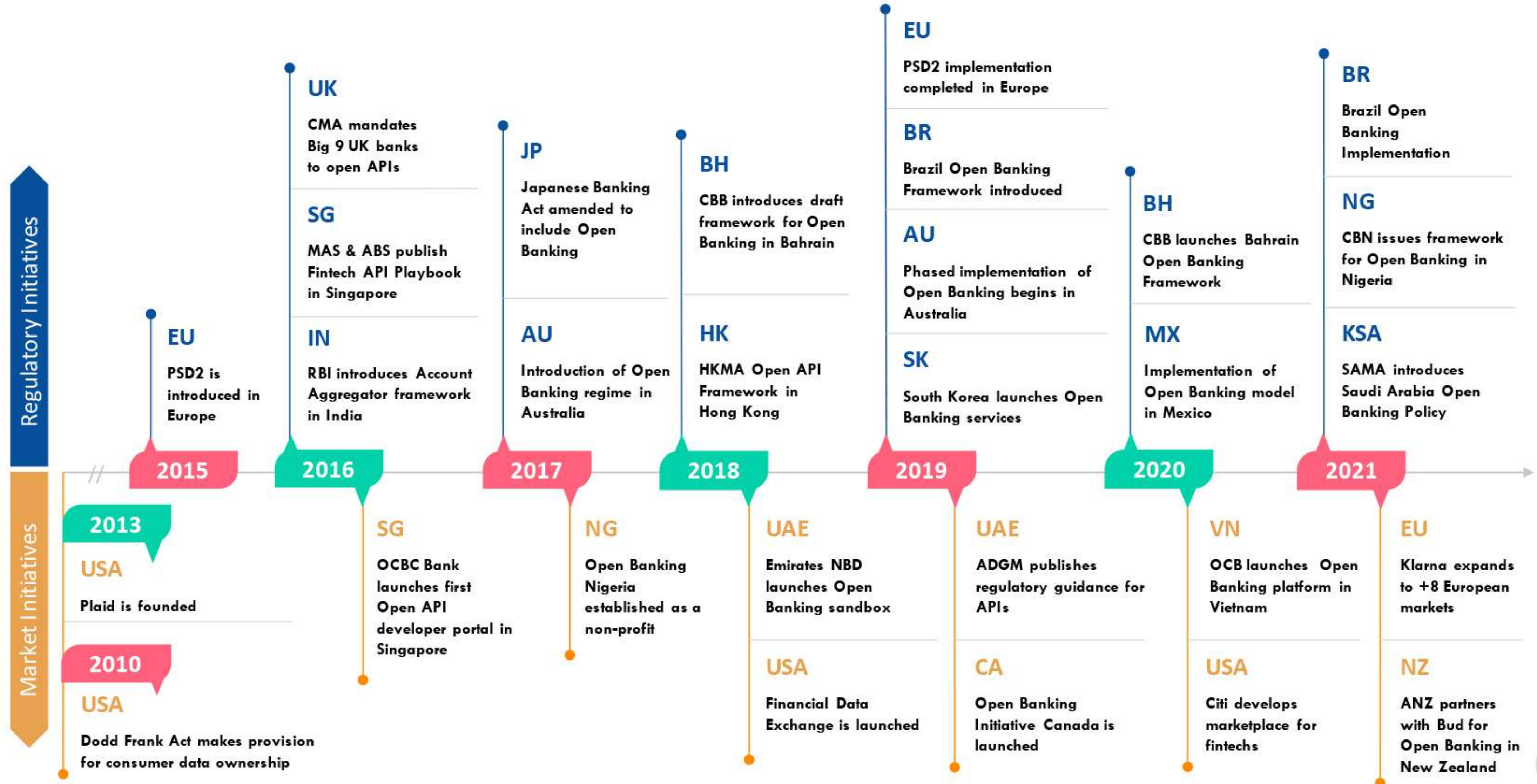




# GLOBAL OPEN BANKING TRENDS



# GLOBAL OPEN BANKING INITIATIVES





# THE OPEN BANKING APPROACH

The approach towards Open Banking is dependent on various factors like market dynamics, regulatory readiness, innovation, etc. The different approaches, each with their pros and cons, result in varying outcomes in the markets.

## REGULATOR DRIVEN

Open Banking regulations & implementation controlled by the regulators with mandatory participation from incumbents.



## MARKET DRIVEN

Open Banking initiatives led by industry participants at individual capacity. No regulatory frameworks in place yet.



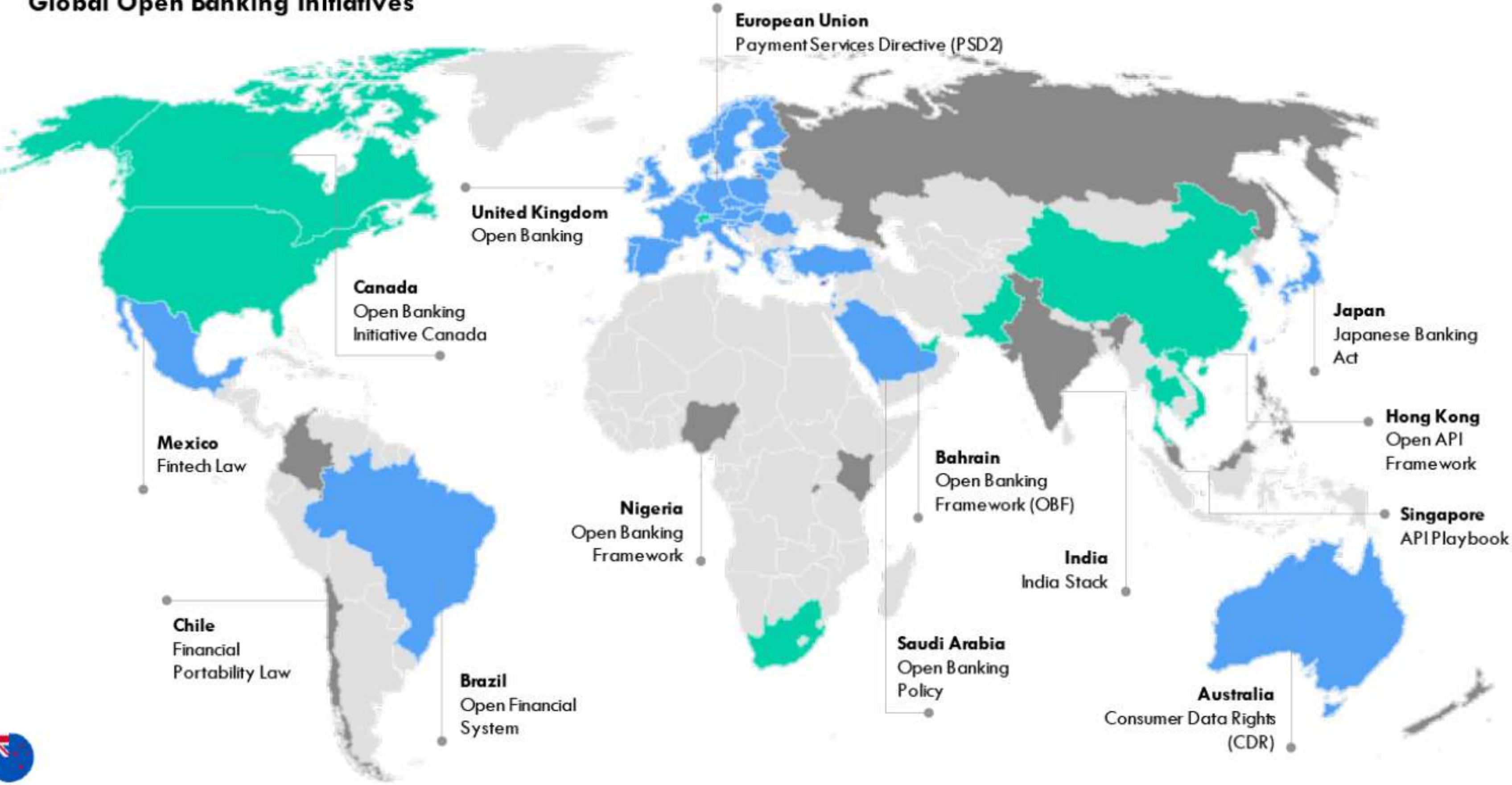
## COLLABORATIVE

Regulatory guidance & facilitative infrastructure for Open Banking along with industry initiatives. Participation is not mandatory, but encouraged.



Note: This representation is not exhaustive

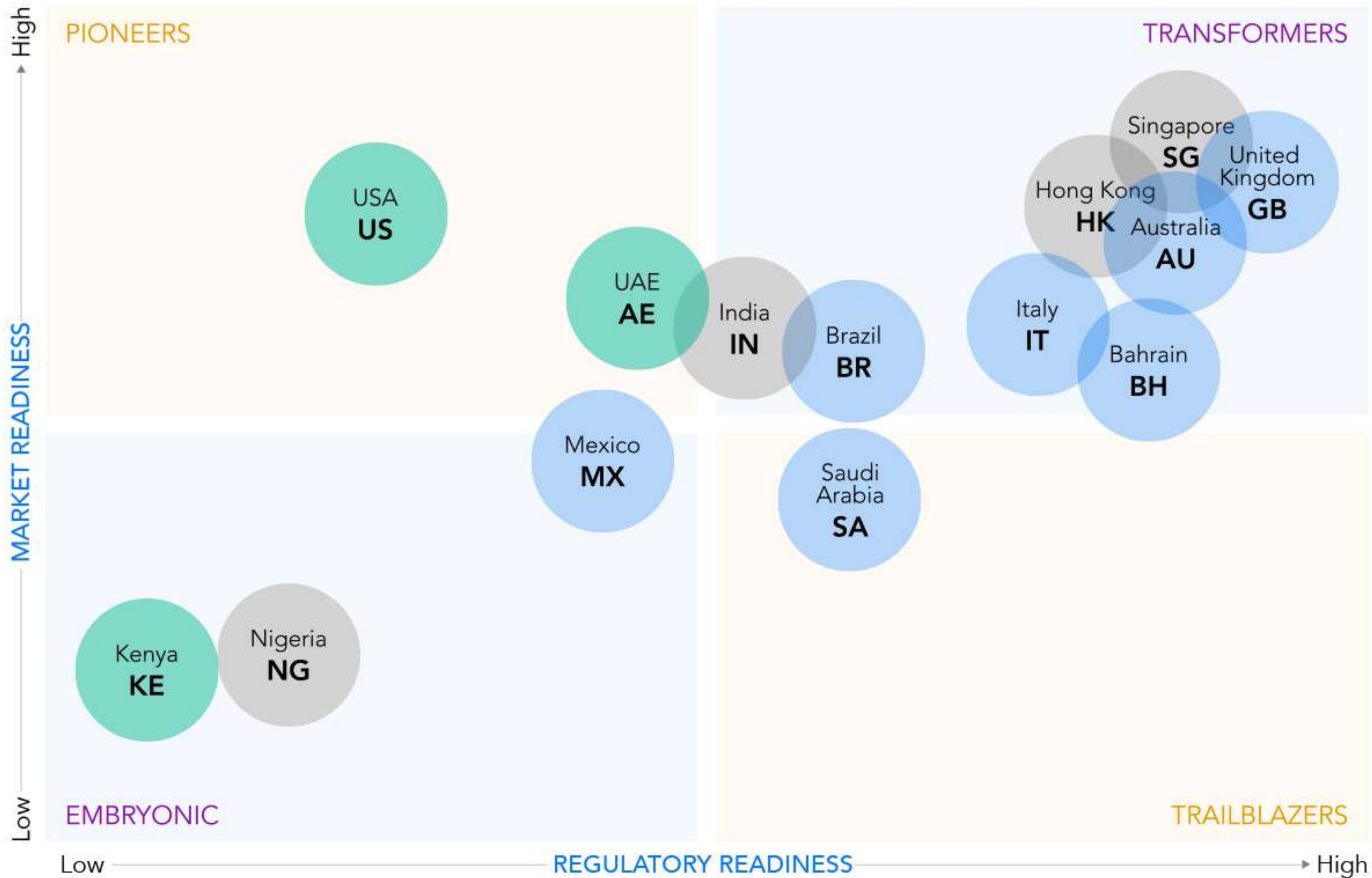
Global Open Banking Initiatives



Open Banking initiatives not active or in very nascent stages of development.



# OPEN BANKING READINESS



The Open Banking Readiness Framework determines the preparedness of various countries in terms of regulatory capabilities and market dynamics.

This framework does not reflect Open Banking adoption, as it is still being rolled out in some countries.

It takes into consideration factors like:

## MARKET READINESS

- Publication & use of open data
- Digital payments platforms
- Smartphone penetration
- Financial inclusion

## REGULATORY READINESS

- Open Banking legislation
- Open payments legislation
- Data protection legislation
- Number of Banks

Open Banking Approach: ● Regulator-Driven ● Market-Driven ● Collaborative



## TRACTION IN DEVELOPED MARKETS

### UNITED KINGDOM UK

**Region:** Europe

**Regulator:** Competitions Market Authority (CMA)  
Financial Conduct Authority (FCA)

**Approach:** Regulator Driven

**Standards:** Technical



#### Timeline

- 2016 CMA mandates the 9 largest banks to open up customer data to licensed startups.
- 2017 Open Data, consisting product & branch information, launches.
- 2018 Open Banking Standard launches & PSD2 comes into force.

### SINGAPORE SG

**Region:** Asia Pacific

**Regulator:** Monetary Authority of Singapore (MAS)

**Approach:** Collaborative

**Standards:** Technical



#### Timeline

- 2016 Association of Banks in SG (ABS) & MAS introduce Fintech API Playbook.  
MAS publishes 12 internal APIs.  
Financial Industry API Register created.
- 2018 Launches open architecture API marketplace & sandbox platform 'APIX'.

### AUSTRALIA AU

**Region:** Oceania

**Regulator:** Australian Competition & Consumer Commission (ACCC)

**Approach:** Regulator Driven

**Standards:** Technical



#### Timeline

- 2019 Australian Federal Government passed Consumer Data Right (CDR) legislation.  
Big 4 Banks make generic product data available.
- 2020 Big 4 Banks make generic CDR data available on all products.  
ACCC launches Open Banking portal.



## TRACTION IN EMERGING MARKETS

### BRAZIL BR

**Region:** Latin America  
**Regulator:** Central Bank of Brazil (BACEN)  
**Approach:** Regulator Driven  
**Standards:** Functional



#### Timeline

- 2019 BACEN publishes Open Banking Directive.
- 2020 Open Banking regulation to be rolled out over 4 phases.  
Implementation of Open Banking by November 2020 for banks.
- 2021 Fully operational by October 2021.

### NIGERIA NG

**Region:** Africa  
**Regulator:** Central Bank of Nigeria (CBN)  
**Approach:** Collaborative  
**Standards:** Technical



#### Timeline

- 2018 The Open Technology Foundation launches Open Banking Nigeria open source APIs.
- 2020 TrueLayer, the leading provider of financial APIs, joins Open Banking Nigeria.
- 2021 CBN issues regulatory framework for Open Banking in Nigeria.

### INDIA IN

**Region:** Asia Pacific  
**Regulator:** Reserve Bank of India (RBI)  
**Approach:** Collaborative  
**Standards:** Technical

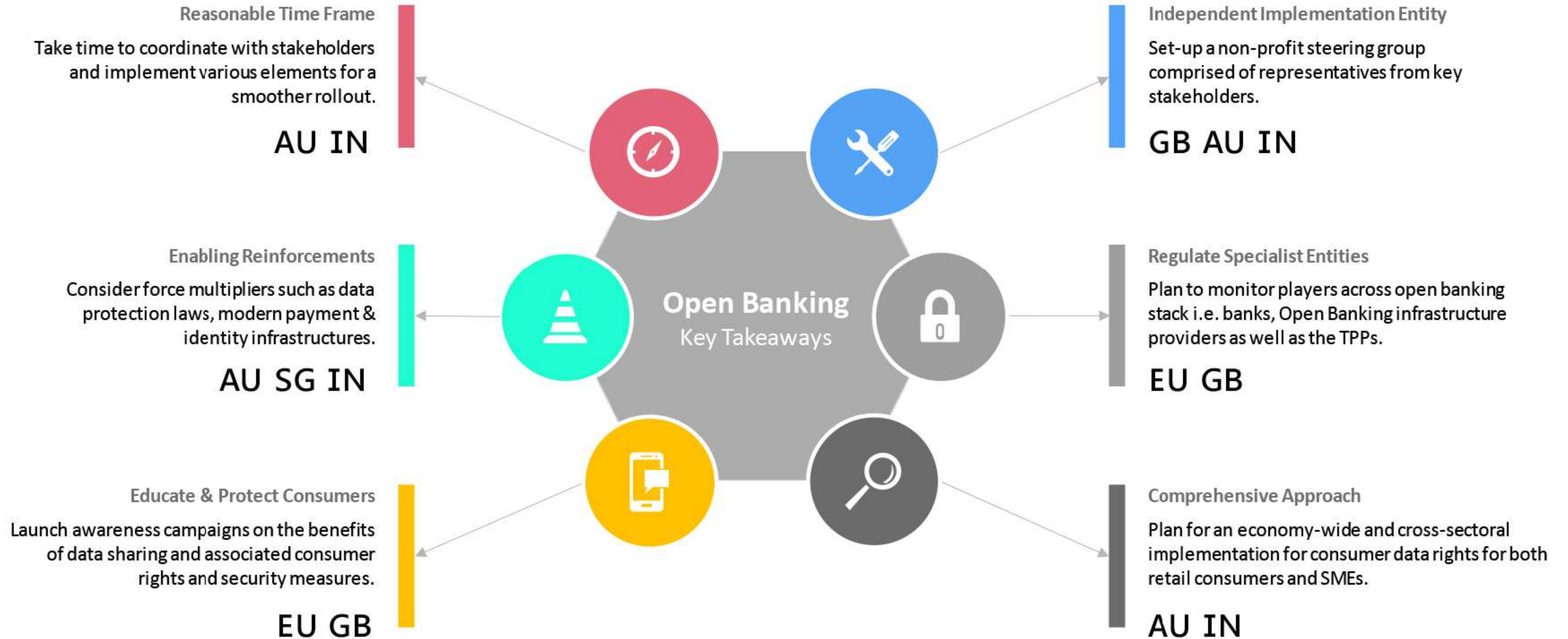


#### Timeline

- 2016 Unified Payments Interface (UPI) launched.  
India Stack pilot.  
Introduction of Account Aggregator (AA) framework.
- 2020 RBI issues AA licenses to entities.  
Open Credit Enablement Network (OCEN) is launched.



# OPEN BANKING LESSONS FROM KEY REGIONS





# MENA OPEN BANKING TRENDS



## REGULATORY INITIATIVES IN MENA

The Open Banking innovation landscape in MENA has been gaining momentum in recent years, led by regulatory & industry initiatives. The GCC region, led by Bahrain & Saudi Arabia, has taken a lead in implementing various frameworks and policies for standardisation and to also facilitate an open financial data environment.

### Open Banking Initiative Stage

● First Movers ● Fast Followers ● Nascent

BH



**Bahrain** ●

Open Banking framework introduced in 2018 and implemented in 2020 with all banks now compliant.

AE



**United Arab Emirates** ●

In 2020, DFSA introduced Open Banking licenses for TPPs. FRSA has opened consultation for a Fintech TPP regulations.

SA



**Saudi Arabia** ●

Open Banking Policy introduced in 2021 and expected implementation by 2022.



QA

● **Qatar**

QCB planning to setup regulatory sandbox in 2021 and eventually develop a Fintech Strategy.



OM

● **Oman**

Industry interest for Open Banking. Launched a fintech regulatory sandbox in 2020.



EG

● **Egypt**

Facilitating innovation through regulatory sandbox.



KW

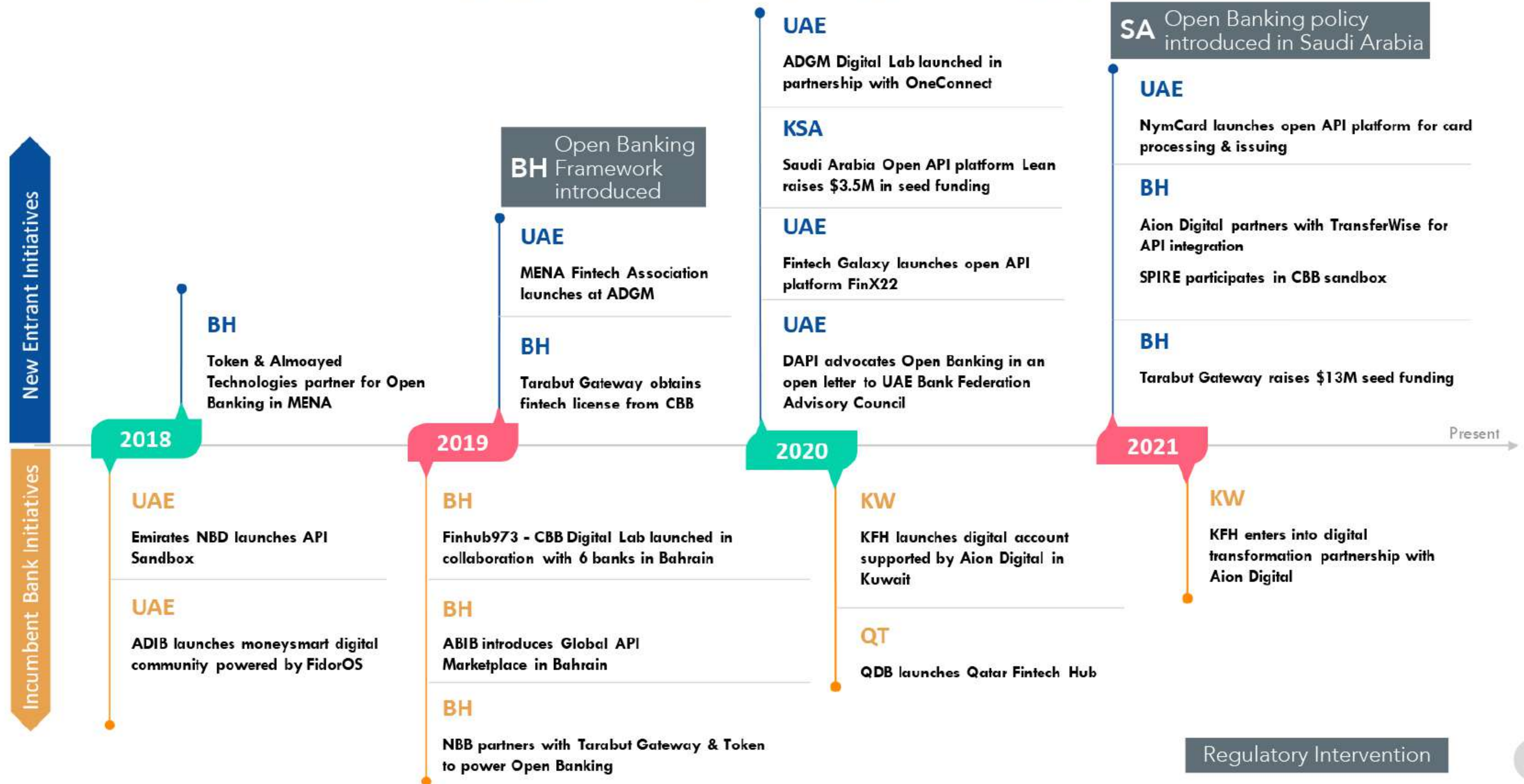
● **Kuwait**

Regulatory guidelines in place for companies wishing to experiment in fintech products.





## INDUSTRY INITIATIVES IN MENA





## TRACTION IN MENA REGION

### BAHRAIN BH

**Regulator:** Central Bank of Bahrain (CBB)

**Approach:** Regulator Driven

**Standards:** Functional



#### Timeline

- 2018 Introduction of Draft Framework.
- 2019 First AISP/PISP license granted.
- 2020 Mandatory implementation of Open Banking standards across all national banks.
- 2021 Launch of eKYC for financial institutions.

### SAUDI ARAB SA

**Regulator:** Saudi Arabia Monetary Authority (SAMA)

**Approach:** Regulator Driven

**Standards:** Functional



#### Timeline

- 2018 Fintech Saudi launched by SAMA & CMA to develop fintech in the region.  
Fintech Regulatory Sandbox is established.
- 2021 Open Banking Policy introduced.  
Implementation to begin in H2 2021.
- 2022 Expected go-live of Open Banking Policy.

### UNITED ARAB EMIRATES AE

**Regulators:** Financial Services Regulatory Authority  
Dubai Financial Services Authority

**Approach:** Market Driven

**Standards:** Unstandardised



#### Timeline

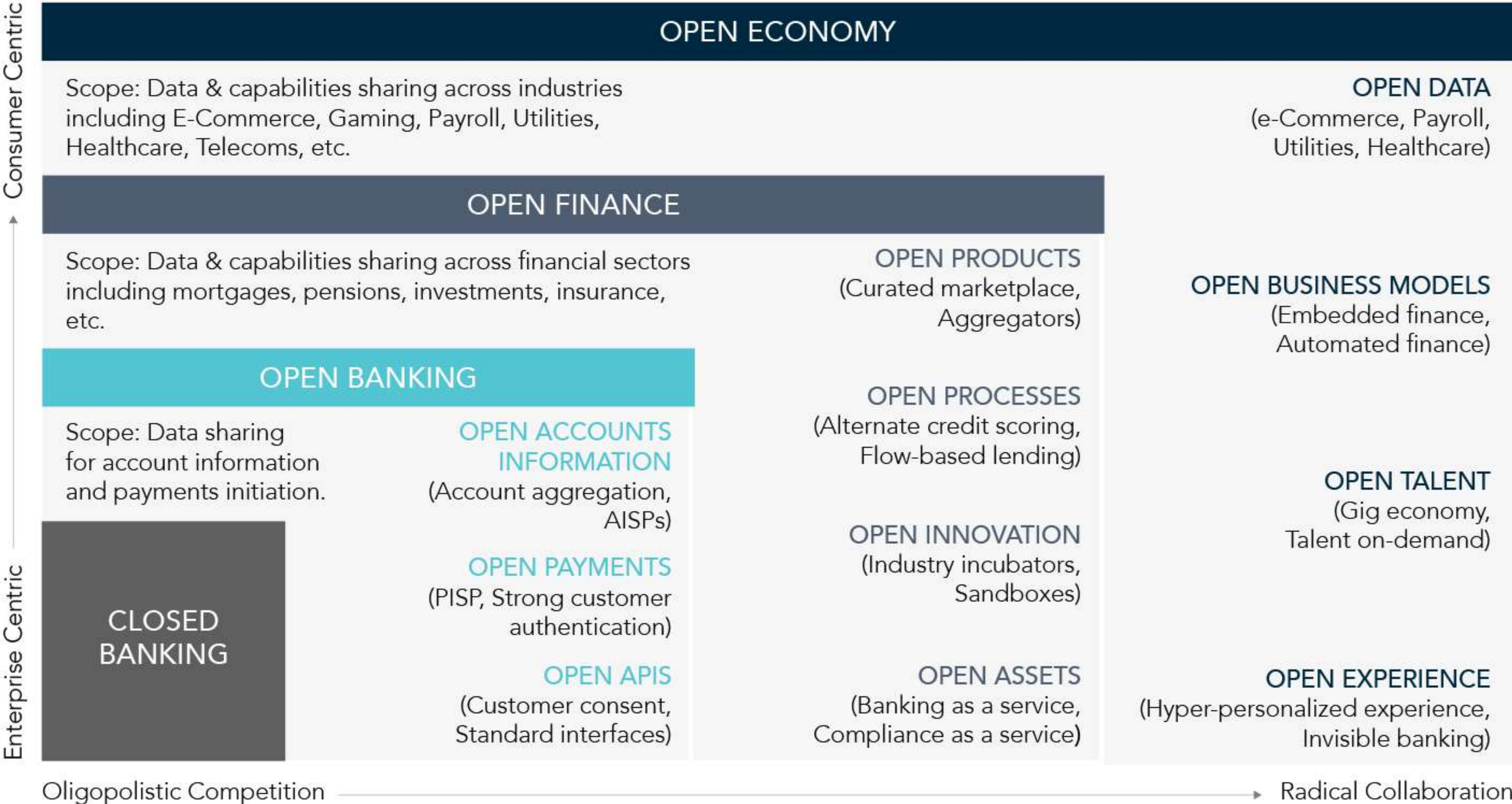
- 2020 DFSA launched AISP & PISP licenses for companies operating in the Dubai International Financial Centre.
- FSRA published consultation paper on regulatory framework for Fintech TTPs.



# THE OPEN BANKING EVOLUTION



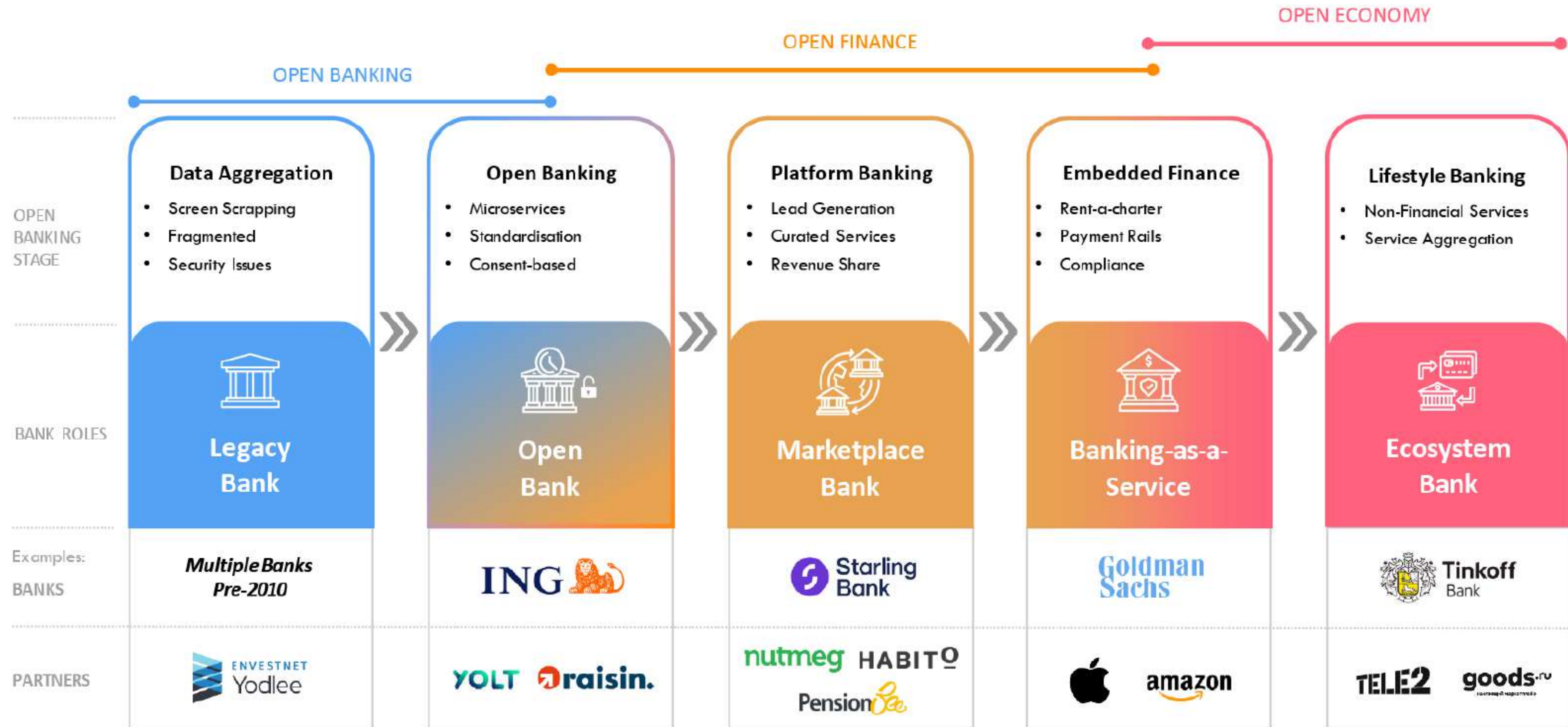
# THE OPEN BANKING EVOLUTION FROM BEGINNING TO BEYOND





# THE OPEN BANKING EVOLUTION

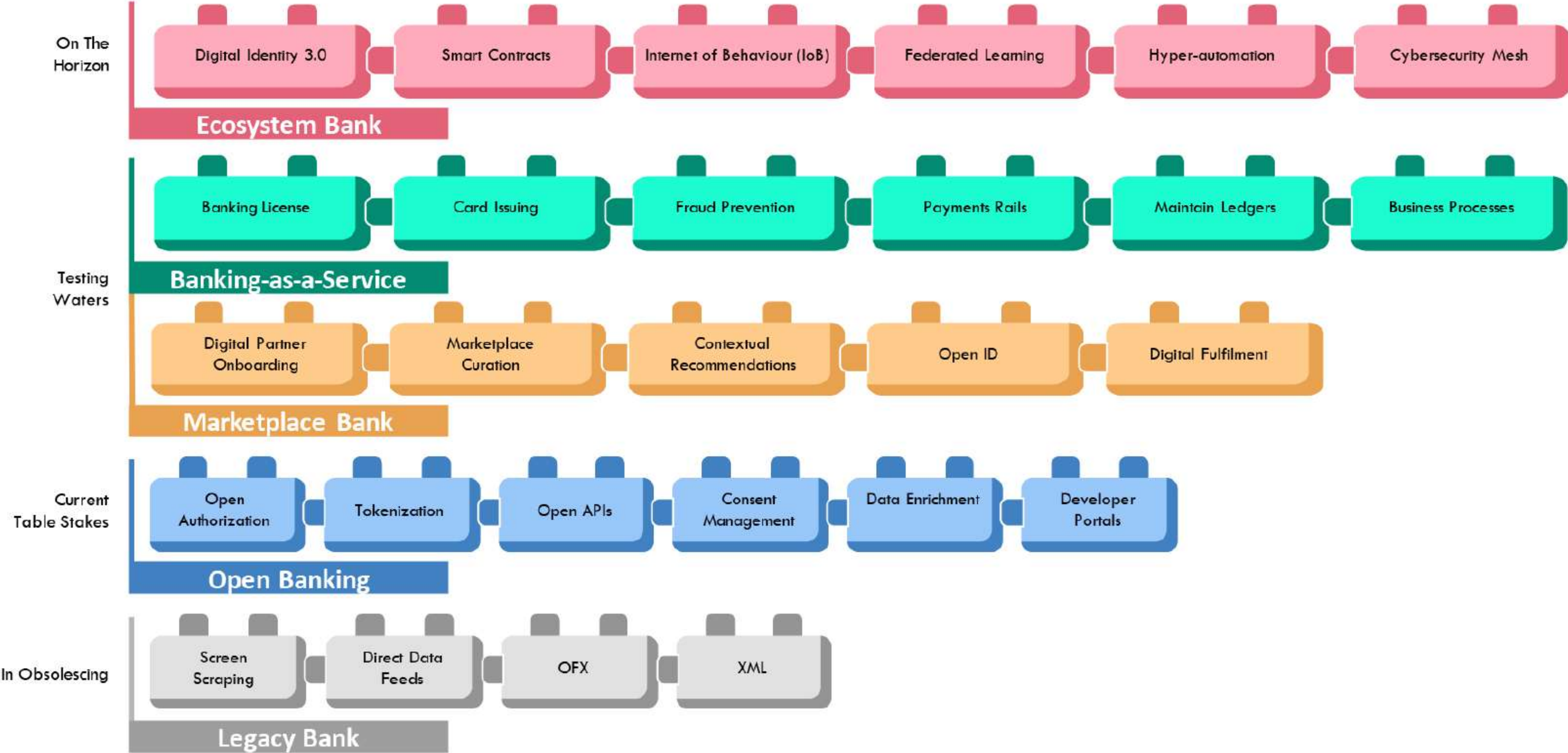
## KEY ROLES FOR BANKS





# THE OPEN BANKING EVOLUTION

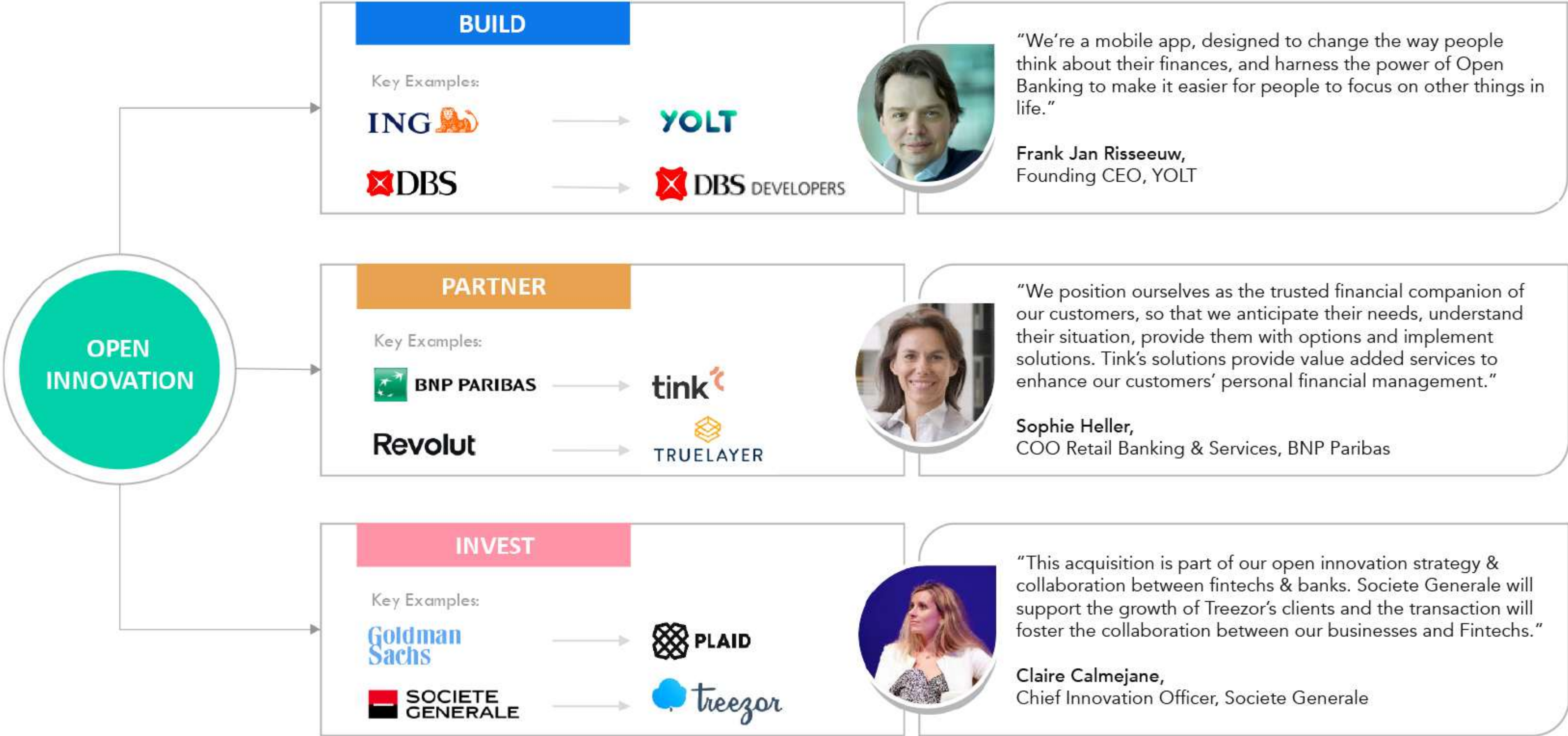
## KEY CAPABILITIES FOR BANKS





# THE OPEN BANKING EVOLUTION

## KEY INNOVATION APPROACHES





# INDUSTRY POINT OF VIEW



**Richard Koch**

Policy Development  
Consultant OBIE, UK

*For the past 3 years Richard has been a member of the Open Banking leadership team responsible for its forward-looking policy agenda, Government and regulatory relationships.*

*With 25 years of experience, he was Head of Cards at UK Finance, and previously worked with some of the largest UK banks, including Lloyds.*

## EXECUTIVE INTERVIEW

**What do you see as the key benefits of Open Banking for the everyday person, especially in the early days of 2022?**

Open Banking has the capacity to transform the way in which consumers interact with financial services. Putting users in control of their data will lead to material user benefits through:

- Better financial decisions, resulting from easier and more convenient engagement
- Access to cheaper services, resulting from greater competition; and
- Access to new services, resulting from greater innovation.

In the UK we are seeing strong growth in the ecosystem and the number of customers using Open Banking. Each month since launch in January 2018, on average 3.2 services have come to market. Growth in live propositions has been 76%, December 2020 vs December 2019. There was a 450% growth in APIs from 2019 to 2020 demonstrating strong growth in adoption. We can tentatively estimate that 5-6% of digitally active end users are now using Open Banking, with strong growth through 2020.

**Next level Open Banking: What do you see as the key trends for consumers for 2022 and beyond?**

Partially in response to the pandemic, there is strong appetite for actionable financial guidance to help consumers improve their money management. Propositions will continue to emerge that deliver these services. We will see the continued adoption of open banking, particularly as the UK Government develops its vision for new Open Data initiatives in the financial sector and other utilities, Open Finance and these are brought together under a unified framework.



**Richard Koch**

Policy Development  
Consultant OBIE, UK

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*With 25 years of experience, he was Head of Cards at UK Finance, and previously worked with some of the largest UK banks, including Lloyds.*

## EXECUTIVE INTERVIEW

### What steps or changes, in your view, will accelerate the Open Banking led innovation in GCC ?

The GCC is an ideal environment for open banking innovation. Flexible and dynamic regulatory frameworks and a young and tech-savvy population provides an excellent environment for demand led digital innovation. There appears to be strong political will across the region to encourage and prioritise the development of a vibrant fintech sector with an ambition to diversify, innovate and increase competition.

Changing customer expectations will undoubtedly encourage existing financial providers to deliver digital transformation and to collaborate with fintechs to enhance their existing digital propositions and provide seamless experiences to their customers. Equally important, regulators across the region are looking closely at the experiences of countries like the UK, who were pioneers. A lot can be learned from those experiences, to enable speedier and more effective implementation.

### How can the process of Open Banking user adoption (which remains the biggest challenge) be accelerated in GCC? Who will drive this?

The experience in the UK suggests that well-designed technical standards need a strong implementation capability to effect change. The CMA determined that there was a need for a central implementation entity to develop the standards; build supporting infrastructure; and coordinate and drive implementation across the mandated banks. A key lesson from the UK is that implementation is difficult and iterative, and probably requires de facto regulatory oversight if it is to be implemented timely and effectively.



**Greg Baxter**

Board Member of  
Spire

*Greg has served as a Chief Digital Officer at MetLife and Citigroup and Partner with Booz. He is also a Board Member at Spire.*

## EXECUTIVE INTERVIEW

**Some focus on data, others focus on infrastructure, change management, or connectivity. What do you think is required to make Open Banking a success?**

Open Banking success is built on Readiness and earned through adoption. Readiness includes those foundational elements such as regulation, infrastructure, and trust. Regulations need to provide a consistent and clear framework to encourage participation, investment, and adoption. Financial services and digital infrastructure are needed to ensure back-end systems and rails are open, scalable, and secure. Unilateral digital access is needed to create the critical network effects associated with national platforms.

With foundations in place, it's then a question of adoption. No consumer or business wants "Open Banking" per-se. What they want is simpler and "better" financial services, embedded into their lives, and timely advice as they navigate life's transitions. Trust will be a critical pre-requisite for all constituents.

**What are your views on a regulator-led approach versus a collaborative approach to Open Banking?**

It's too early in the Open Banking lifecycle to conclude what approach is most effective. There are strong examples of regulator-led programs in the UK and Australia, and strong examples of more collaborative or market-led approaches in Singapore and New Zealand.

There are some important outcomes associated with a regulator-led approach. Regulators can ensure those with an incumbent advantage in the current model to not take this position – even as they need to decouple their back-end account management functions from lucrative front-end consumer services. In general, regulator-led approaches appear to have made greater progress at this early stage. In the GCC, both Bahrain and KSA have adopted a regulator-led approach, providing greater clarity on timelines, participation, and standards.



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## EXECUTIVE INTERVIEW

**What do you see as the key benefits for the everyday person, especially in the early days of 2022?**

The key benefits for customers should be increased participation, competitive choice, personalized services, and greater convenience in financial services.

New entrants will be able to access existing financial services infrastructure more easily, providing new and innovative access to customers that may be currently un/under-banked. Greater access to financial information will allow companies to understand and offer competitive products to consumers, at a much higher level of personalization. And importantly, Open Banking can allow payments to be seamlessly embedded into customer journeys, creating a better experience for all.

If the GCC follows global trends, Bahrain will be able to build on its early progress and deliver account and payment services in 2022. KSA will deploy the standards, infrastructure and initial account use cases, and other nations will start to define their standards and mobilize. So customers will start to experience the early stages of Open Banking across the region, with some experiencing new use cases – but the real excitement will come beyond 2022, as innovative, competitive and personalized offerings start to emerge from both established and new players.



## CONCLUSION

### OPEN BANKING IN MENA: THE WAY FORWARD

#### Middle East's leapfrog moment



'Data is the new oil'. The phrase was coined in 2006. 15 years later, it is more true than ever in a post-pandemic world that has traversed the digital transformation journey from decades into months. This transformation that the consumers, businesses, and governments have gone through is not only unprecedented but also irreversible.

The time is opportune for the Oil Superpowers in the middle east to realize the leapfrog moment and embark upon the journey of becoming Data Superpowers. Banks, FinTechs, and technology providers have an unprecedented opportunity to participate in and accelerate this transformation journey.

#### A journey of a thousand miles..





Financial institutions in the Middle East region, have to evolve from managing money and enabling transactions to managing data and enabling interactions. Amidst rising consumer expectations and regulatory nudges, the opportunities and challenges await the incumbent banks, who need to strategically rethink how they view their customers and move from the traditional banking model to a truly customer-centric model. This would require thinking like platform companies and reinventing their business models to connect people and processes with assets, and backing that up with technology infrastructure that can manage interactions at speed and at scale. At the heart of those interactions is interoperable APIs - the first step on the journey of collaborative innovation amongst and between banks, technology companies, and many more.



This report has been published by WhiteSight in association with Spire – a company of Aion Digital.  
For any questions or comments, please write to **hello@whitesight.net** OR **info@spiretech.co**



Spire Technologies will prepare its clients for the next biggest financial ecosystem challenge – Open Banking. Our technology, AI and banking experts are here to make that happen through knowledge sharing, global expert collaborations and thought leadership. Our overall ethos and focus is to address the challenges, complexities and core issues faced by individuals and SMEs.

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