

# OPEN BANKING

A game changer for the  
financial ecosystem.

## Report#2

A Report on Open Banking &  
The Emerging Opportunities in MENA

**SPIRE**  
FOR OPEN BANKING

**W** WhiteSight

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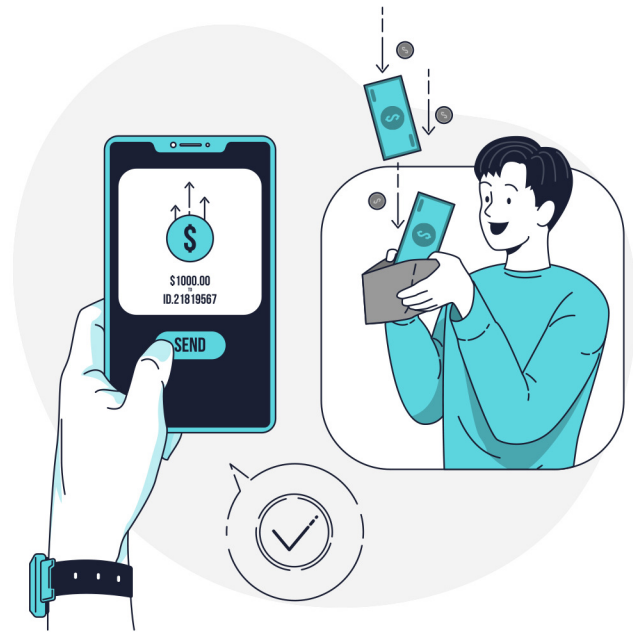
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# Overview of the report

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 Gulf Cooperation Council (GCC) region.



## 01

### Open Banking vision for GCC

Understand the role of open banking as part of the holistic digital visions that select GCC countries are working towards.

## 03

### Open Banking for MSMEs

Deep dive into open banking use cases for MSMEs and global readiness across selected regions.

Case studies that showcase various open banking solutions for MSMEs.

## 02

### Open Banking for Consumers

Deep dive into open banking use cases for consumers and global readiness across selected regions.

Case studies that showcase various open banking solutions for consumers.

## 04

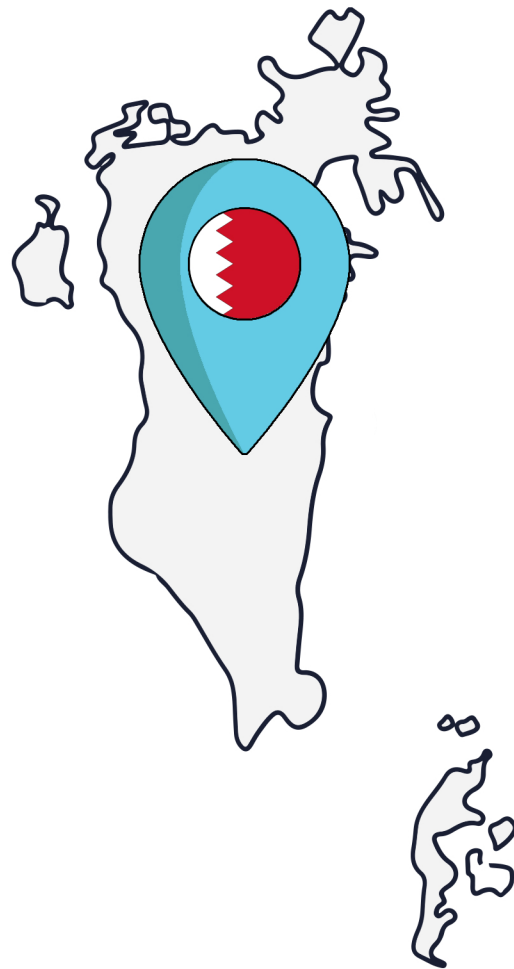
### Way Forward for Open Banking in the GCC

Conclusion and future outlook on open banking innovation and adoption in the GCC region.

# Open banking as a part of the digital vision

## Bahrain

Digital transformation is a pillar in Bahrain's Economic Vision 2030, an ambitious national development plan focused on the principles of sustainability, competitiveness, and fairness. Moreover, the Digital Government Strategy 2022 highlights the commitment to transforming its services through emerging technologies, helping to create a better life for citizens and residents.



### Polymaker Push

CBB's Fintech & Innovation Unit drives financial digital transformation in the country

Fintech Regulatory Sandbox to test tech-based innovative solutions

Bahrain Fintech Bay, a fintech hub and incubator, was launched in February 2018

FinHub 973, a digital fintech lab, was launched in October 2020

Bahrain Open Banking Framework was the first open banking implementation in the MENA region.

### Industry Push

15 banks are fully compliant with Bahrain OBF Phase 1

23 TPPs as part of the Regulatory Sandbox

Open Banking enablers



### Consumer Pull

70% population between the age of 20-64

85K+ micro enterprises & 6k+ small and medium enterprises

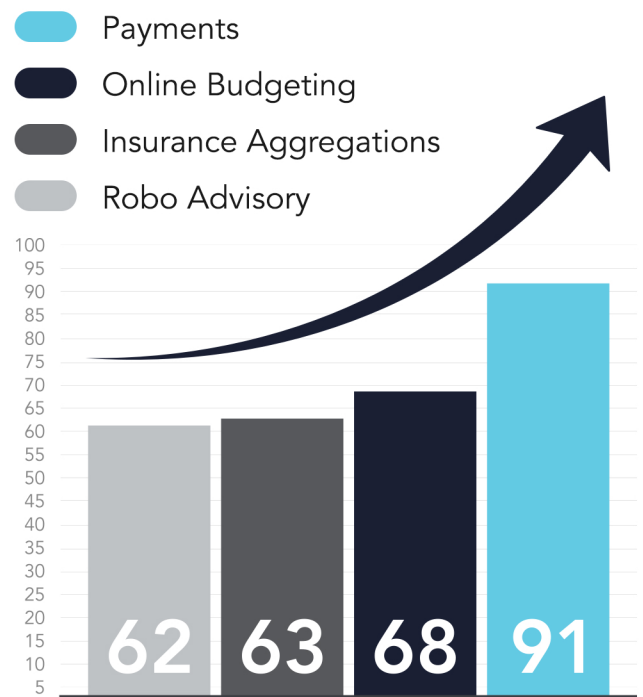
60M+ transactions through EFTS & EBPP (2020)



## Saudi Arabia

As a part of the Kingdom's Vision 2030, the Financial Sector Development Program, launched in 2017, aims to create a diversified and effective financial sector to support the growth of the national economy. The program has focused support for fintech startups, by introducing supportive policies and issuing new licenses. It has also led to significant efforts that impact citizens such as moving towards a cashless society and launching an instant payment system. The Open Banking Policy introduced in January 2021 has opened up the scope for innovation in the financial services ecosystem.

## Consumer Awareness of Fintech Solutions, %



Fintech Saudi ® National Fintech Adoption Survey '21

### Polymaker Push

22 Fintech licenses across payments, microfinance, insurance brokering, and digital banking.

22 startups presently permitted for testing in the SAMA Regulatory Sandbox. 20 has opened up the scope.

SARIE instant payment system introduced in collaboration with IBM & Mastercard.

Saudi approves Personal Data Protection Law - Sept 2021

Draft Insurtech rules – Oct 2021

### Industry Push

155 fintech startups in the region

Total fintech funding in the region: USD 741M

Open Banking enablers

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### Consumer Pull

54% population between 15-44 years

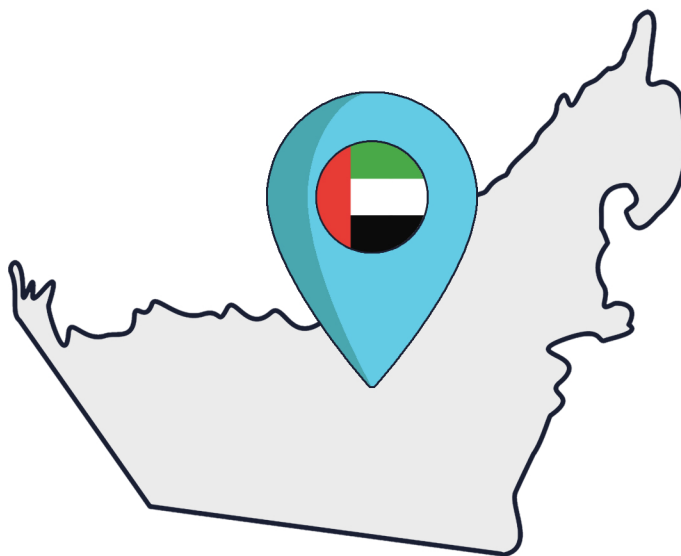
977K+ MSMEs

74% of individuals have used at least one fintech solution.



## United Arab Emirates

Under the umbrella of Digital UAE, the government has various initiatives for the comprehensive development of the nation. This includes new-age regulations, common principles around open data, digital platforms, regulatory sandboxes, and more. While a national Open Banking framework is yet to be implemented, international financial centres in the region like the Dubai International Financial Centre (DIFC) and Abu Dhabi Global Market (ADGM) have set up facilitative frameworks for open banking within the financial hubs.



### Polymaker Push

**2016** - ADGM RegLab

**2017** - DFSA Innovation Testing Licence (ITL) Programme

**2020** - CBUAE Fintech Office to support & mature the fintech ecosystem

**2021** - ADGM FSRA regulatory framework for TPPs

**2021** - CBUAE Retail Payment Services & Card Schemes Regulation introduced licenses for Payment Initiation & Payment Account Information Services.

### Industry Push

500+ Fintechs in the region

8 digital banks in the region

Total fintech funding in the region: USD 1.67B

Open Banking enablers



### Consumer Pull

66% population between 25-54 years

350K+ SMEs

90% Mobile banking penetration

# Expected outcomes of open banking



## Consumers

- Customer data ownership & control
- Better tailored products & services
- Access to innovative financial services



## Economy

- Increased Financial Inclusion, Financial Health & Awareness
- Efficiency in Banking System
- Reduced Cost of Innovation



## Fintechs

- New business models
- Multiple bank partnerships
- New revenue streams



## Financial Institutions

- Data sharing & data analytics infrastructure
- Enhanced value proposition
- Additional revenue streams
- Distribution channels through TPPs

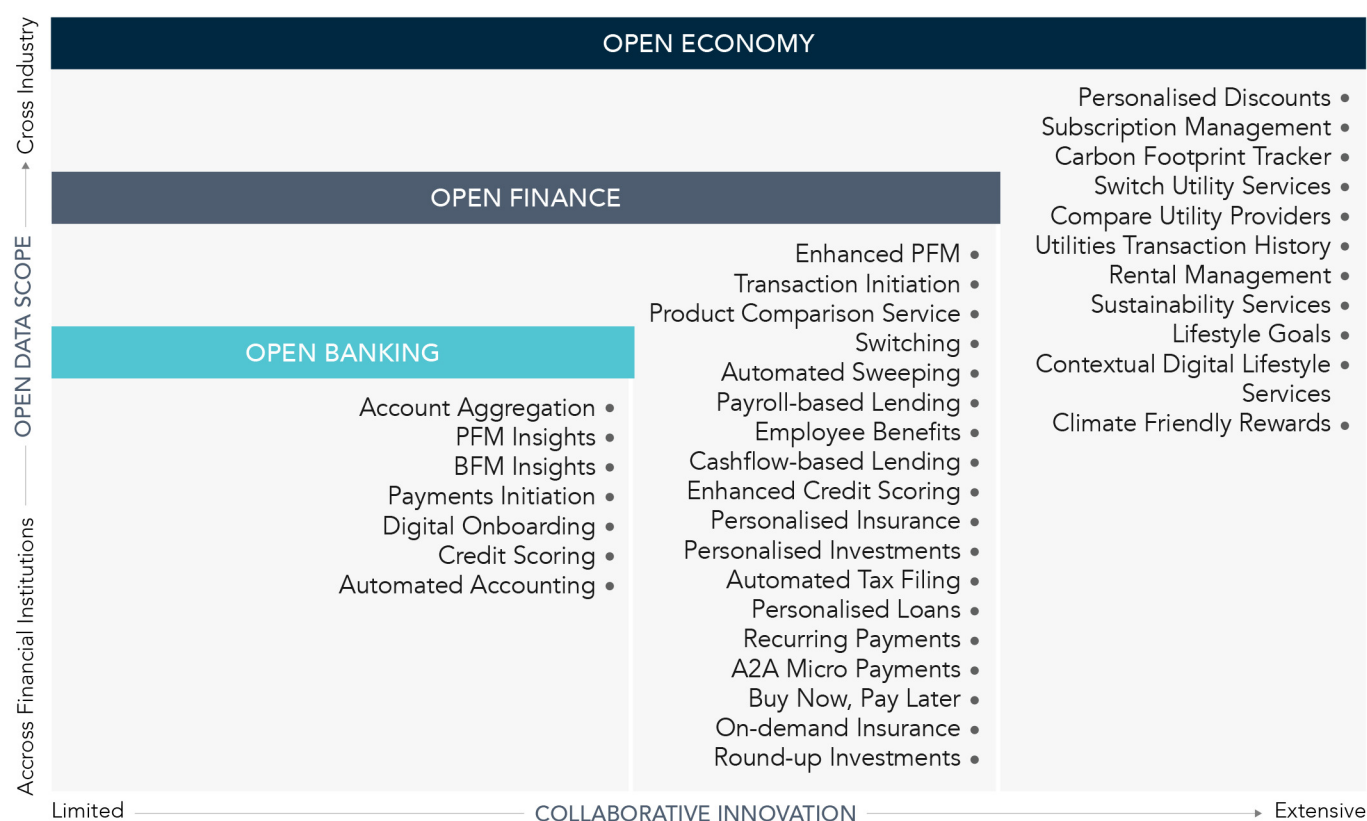
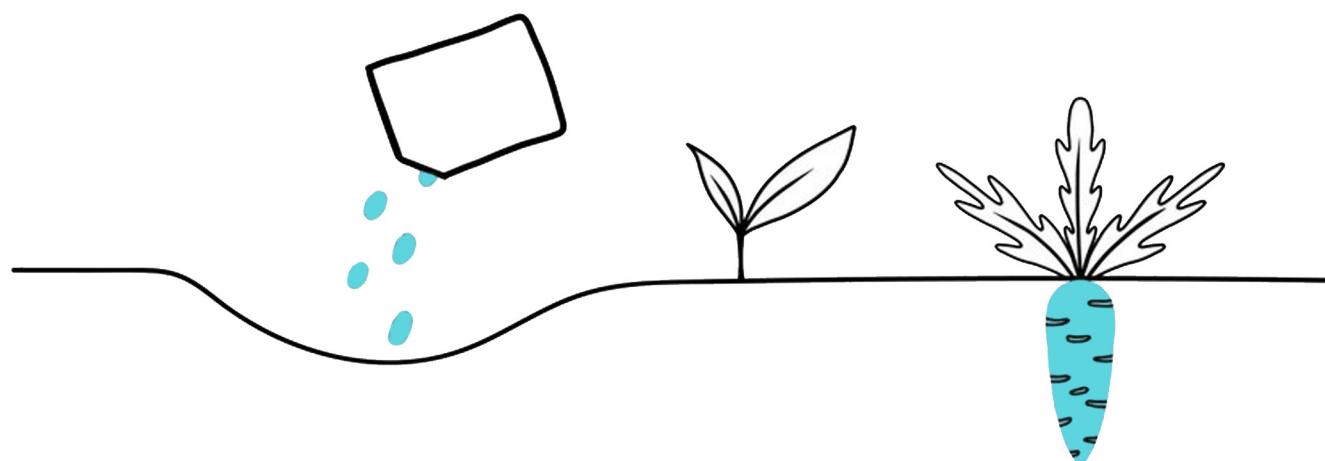


## Non Banks

- Lower barriers to entry
- Embedded financial services



# Evolution of Open Use Cases





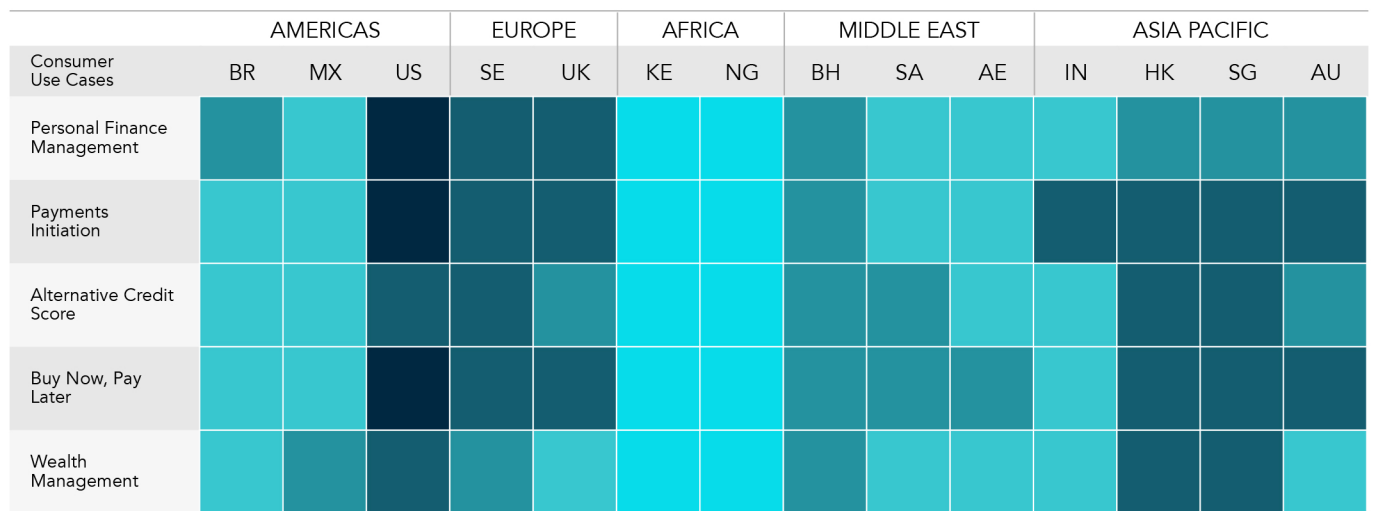
# Open Banking for Consumers



# Open banking use case

## Readiness Heatmap

The heatmap represents the status of readiness for open banking consumer use cases across select jurisdictions. Demand and supply parameters have been utilized in the context of respective use cases.



Based on WhiteSight Open Banking Use Case Readiness Framework



BR Brazil  
 MX Mexico  
 US United States  
 SE Sweden  
 UK United Kingdom  
 KE Kenya  
 NG Nigeria

BH Bahrain  
 SA Saudi Arabia  
 AE United Arab Emirates  
 IN India  
 HK Hong Kong  
 SG Singapore  
 AU Australia

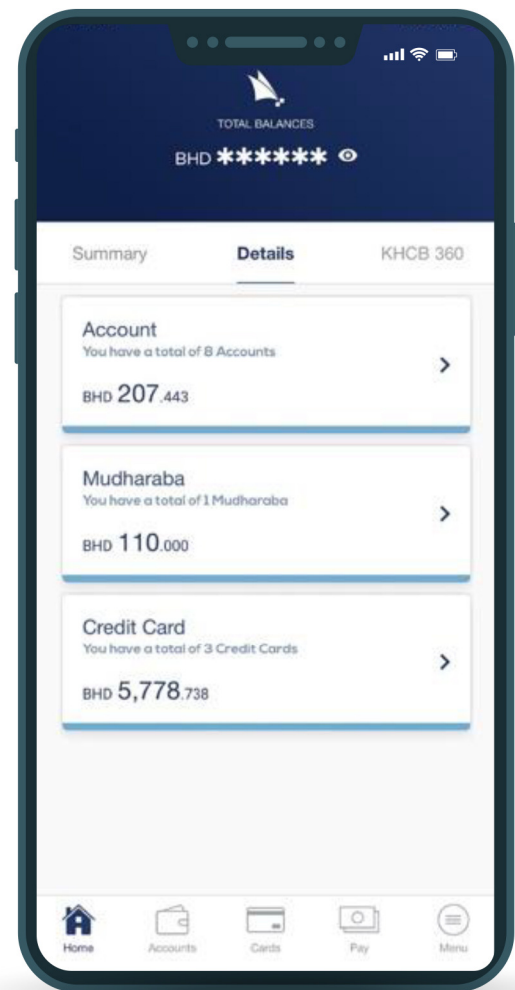
## Use case

# Personal Finance Management

Personal finance management enabled by open banking allows for an aggregated view of a user's finances and provides value-added features like analytics, insights and recommendations to manage personal finances.

### Case Study

Khaleeji Commercial Bank launched open banking-enabled account aggregation services through its 'Khaleeji 360' platform in November 2020. The service allows users to link their accounts with different banks and review aggregated information about their financial operations through the bank's mobile app.



#### Use Case Readiness in the GCC

In Saudi Arabia, while the implementation of open banking is still in development various TPPs are testing their solutions in the SAMA regulatory Sandbox.

In the UAE, various innovative fintechs and digital banks are testing PFM solutions.



*Demand side readiness is **2X** more than supply side readiness in all 3 countries.*

#### Readiness



# Use case

## Payments Initiation

Digital payments enabled by open banking allows users to send and receive payments seamlessly through third party providers. Payments can be made between users' accounts, other users and businesses as well.

### Case Study

After the launch of the PIX instant payment system in Brazil, **Banco do Brasil** was the first to launch the feature of **PIX payments** through WhatsApp chat.

Users can send, receive payments, register PIX keys, and scan QR codes to make payments through chat as well as voice commands.

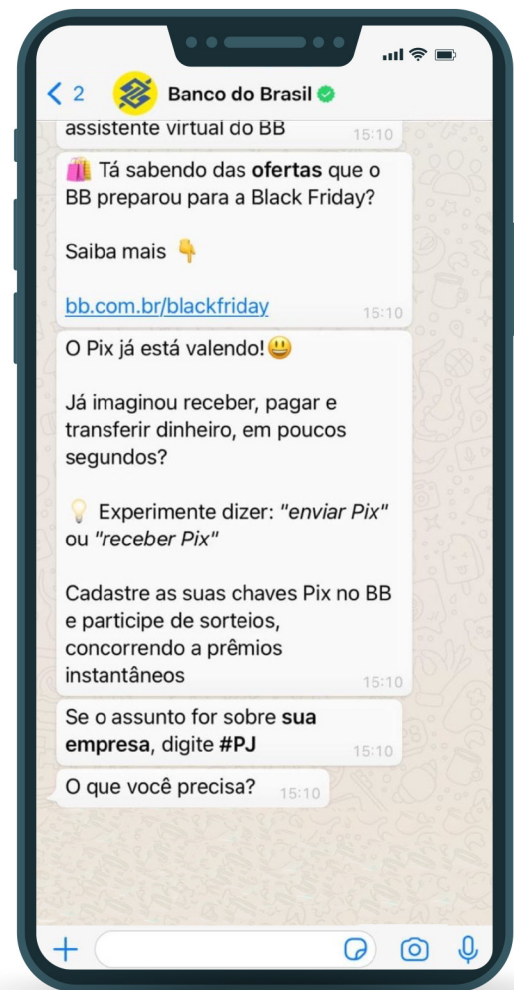
**30%** of the country's PIX volume is accounted for by Banco do Brasil (as of April 2021)

#### Use Case Readiness in the GCC

Bahrain leads with an established open banking framework and active retail payment systems like Fawri+, Fataweer, BenefitPay.

With a market-driven approach to open banking, UAE has open scope for fintech innovation.

With USD 18.5B digital payments in 2020, the UAE is one of the most favourable in terms of digital payments adoption.



#### Readiness





# Use case

## Alternative Credit Scoring

Credit scores using open banking include rent payments and other recurring bills so that better credit is accessible to more people.

### Case Study

**Experian Boost** helps users improve credit scores based on Experian data by giving users credit for past **on-time payments** for telecom, utility and streaming services like Netflix, Disney Plus, Hulu.

**3.9M** boost users collectively grew their credit scores by over 50M points in 2019

**13** points average increase seen amongst service users, helping open up new credit opportunities to them.

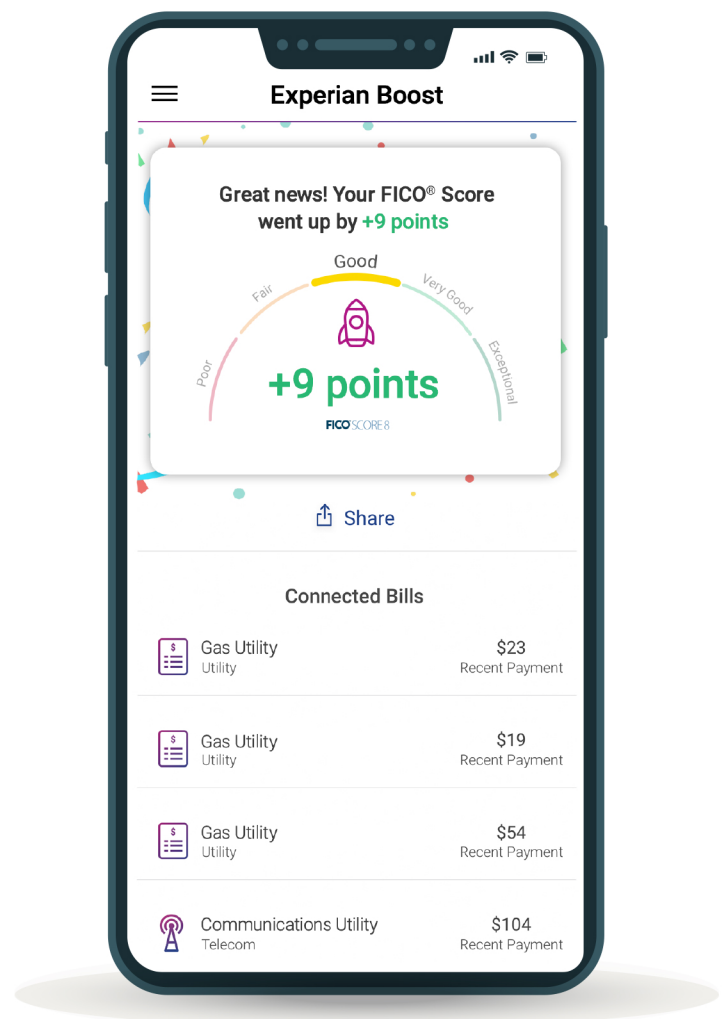
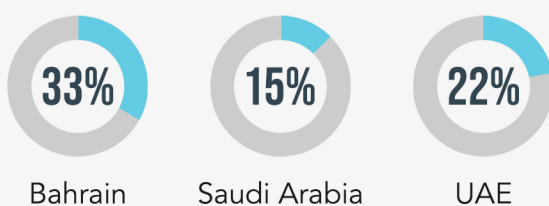
**21%** of the consumers saw a score change from poor to fair

#### Use Case Readiness in the GCC

With well-established and centralised national credit bureaus, the potential for alternative credit scoring is wide.

Low household debt to GDP ratios of the three countries highlights the need for better credit products and services.

#### Household Debt to GDP Ratio



#### Readiness



# Use case

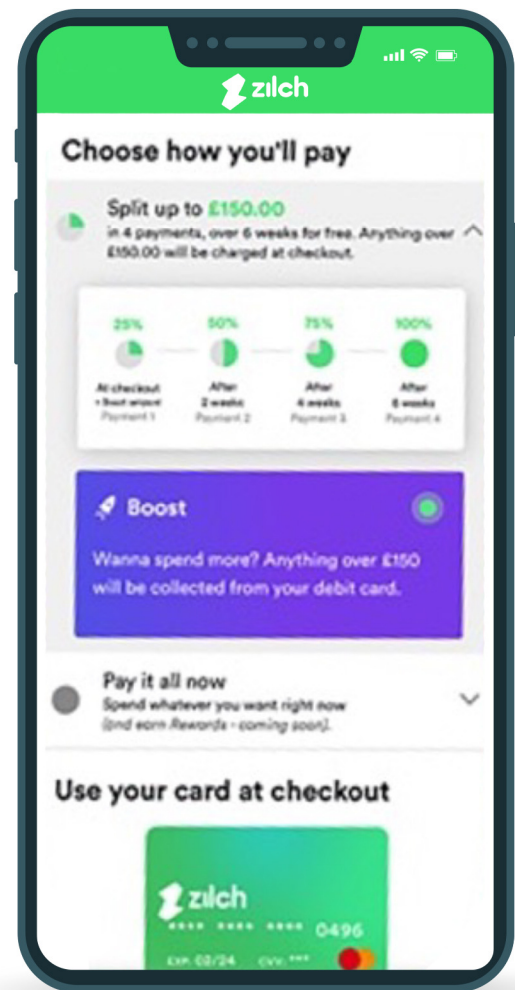
## Buy Now, Pay Later (BNPL)

Open banking can enable faster and more efficient operations for BNPL service providers through income verifications before extending credit options to customers for online & offline purchases.

### Case Study

**Zilch** is a UK-based fintech startup that enables users to **split payments** for purchases over 6 weeks without charging interest or fees across **5000+** stores.

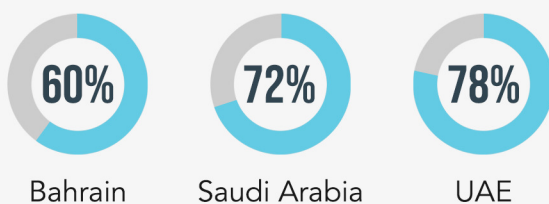
In October 2020, the company partnered with credit referencing agency, **Credit Kudos**, to leverage its open banking platform for credit checks.



### Use Case Readiness in the GCC

The countries have favorable scores on the UNCTAD B2C e-Commerce Index, which measures how prepared an economy is to support online shopping. The scope for continued growth remains high.

### The UNCTAD B2C e-Commerce Index



### Readiness



# Use case

## Wealth Management

As open banking expands into open finance, wealth management targets affluent customers. The solution combines day-to-day finance management with more complex activities such as estate planning, retirement, and investment portfolios.

### Case Study

Integrated into DBS digibanking, **DBS NAV Planner**, helps customers track, protect and grow their money while providing personalised and **actionable** insights. The solution builds on the **SGFinDex**, Singapore's public-private open banking initiative, and is powered by more than 100 AI models.

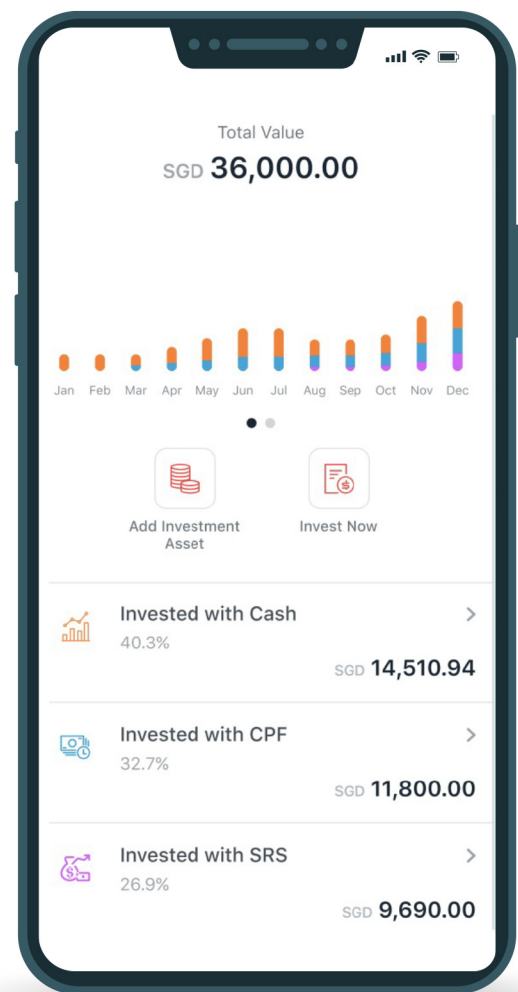
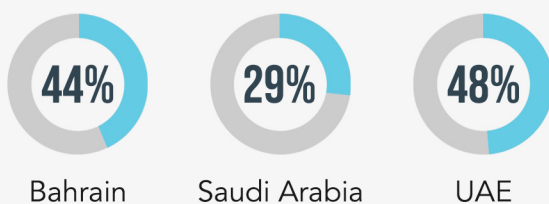
**1.8M** customers were empowered to make better financial decisions by using DBS NAV Planner since its launch in 2020. It helped more than 400K customers to become net savers.

#### Use Case Readiness in the GCC

Bahrain & UAE have some of the highest savings to GDP ratio, which presents a sizeable opportunity for wealth management solutions.

Across the three regions, supply-side readiness is lower than average, while demand-side readiness is high.

#### Savings to GDP Ratio



#### Readiness



# Open Banking for MSMEs





# Open banking use case

## Readiness Heatmap

The heatmap presents the readiness status of open banking use cases for MSMEs across select jurisdictions. The readiness for the use cases have been analysed across demand and supply parameters in the context of the respective use cases.

	AMERICAS			EUROPE		AFRICA		MIDDLE EAST			ASIA PACIFIC			
MSME Use Cases	BR	MX	US	SE	UK	KE	NG	BH	SA	AE	IN	HK	SG	AU
Automated Accounting														
Payments Acceptance														
Cashflow Forecasting														
Alternative SME Financing														
Automated Tax Planning														

Based on WhiteSight Open Banking Use Case Readiness Framework



BR Brazil  
 MX Mexico  
 US United States  
 SE Sweden  
 UK United Kingdom  
 KE Kenya  
 NG Nigeria

BH Bahrain  
 SA Saudi Arabia  
 AE United Arab Emirates  
 IN India  
 HK Hong Kong  
 SG Singapore  
 AU Australia

# Use case

## Automated Accounting

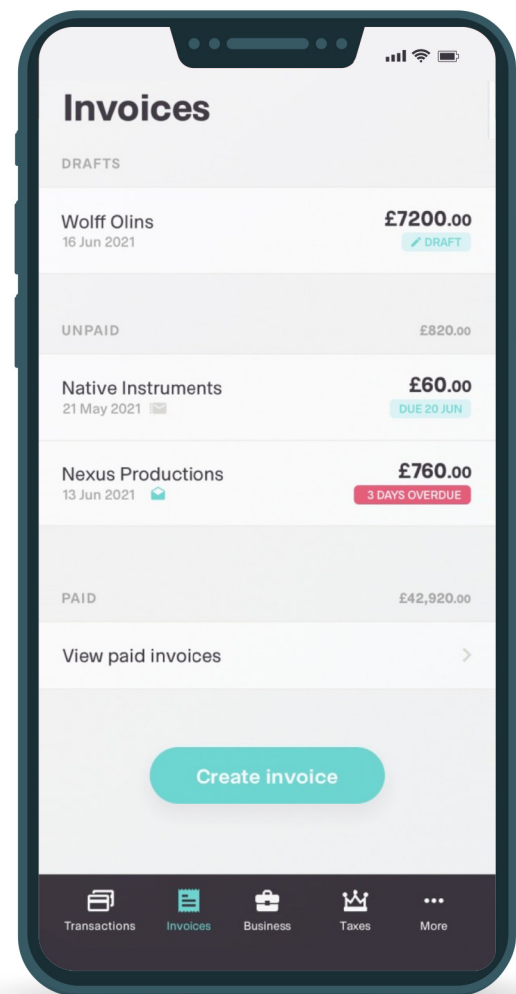
By connecting the data sources of multiple business accounts, accounting that is powered by open banking can make it easier for MSMEs to automate administrative processes.

### Case Study

**Coconut**, that started out as an SME neobank for small businesses, transformed into an accounting app powered by Open Banking in 2019.

By teaming up with **TrueLayer**, it allows users to have a consolidated view of their business finances across accounts & credit cards and automate processes of bookkeeping, invoicing and tax planning.

**174%** was Coconut's revenue growth between 2019 and 2020. They have 8,000 paying customers and 2,800 accountants registered on their portal



### Use Case Readiness in the GCC

On the infrastructure front, while e-invoicing is not mandatory in Bahrain and UAE, there is good progress being made towards adoption.

Saudi Arabia has introduced mandatory e-invoicing in December 2021.

### Readiness



# Use case

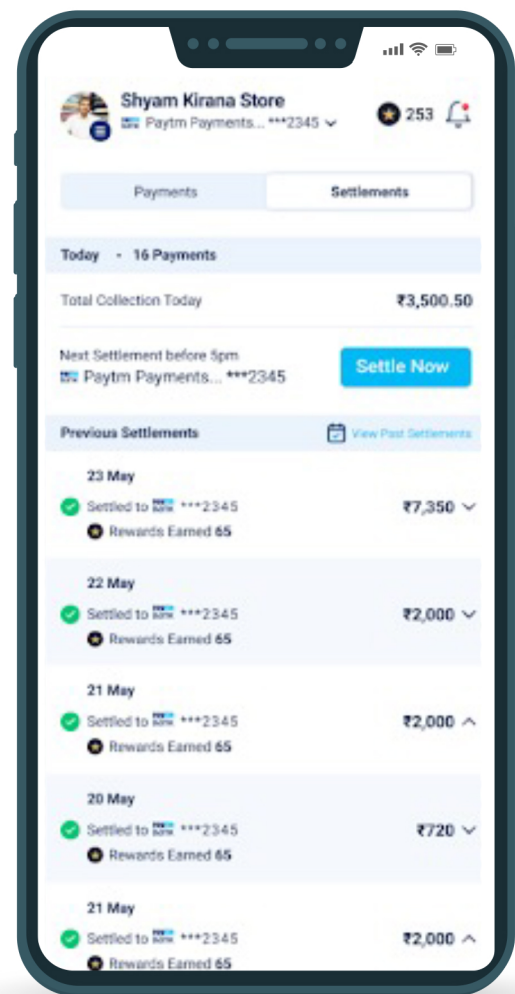
## Payments Acceptance

Enabled by open payments, businesses can accept payments from customers through multiple avenues without having to worry about system interoperability.

### Case Study

Building on India's Unified Payment Interface (UPI), **Paytm** offers payments solutions to merchants to boost collections and accelerate business growth.

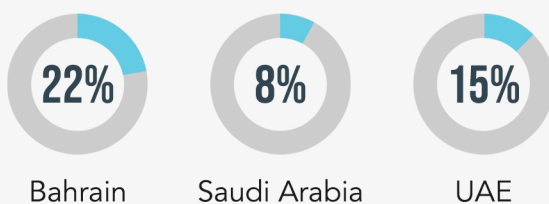
**17M+** Merchants are served through Paytm, an emerging leader in offline merchant payments in the country. 15% growth month-on-month was witnessed in this division in March 2021



#### Use Case Readiness in the GCC

With the exception of Bahrain, both Saudi & UAE have low PoS penetration, which highlights the need for innovative payment acceptance solutions for businesses.

#### Point-of-Sale per 1000 people



#### Readiness



# Use case

## Cashflow Forecasting

Cash flow optimisation services use open banking to access the bank accounts of SMEs to provide cashflow-based insights and support with crucial decisions related to managing operations.

### Case Study

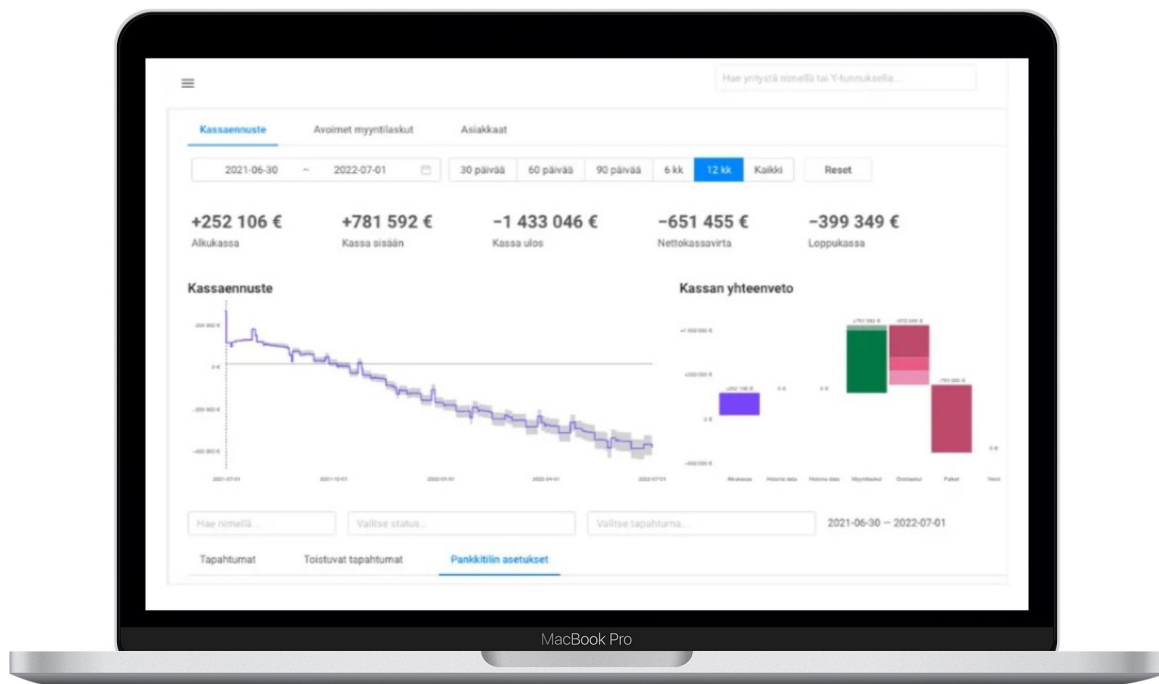
**Riskrate** connects to business current accounts through Open Banking to get cashflow raw data. It allows users to connect an unlimited number of companies, billing software, or bank accounts to their **cash prediction** that updates automatically without a second of manual work.

**1.5M** registered MSMEs have registered in the 3 regions collectively, as Open Banking enabled cash flow forecasting tools can help improve operational efficiency to a great extent.

### Use Case Readiness in the GCC

The UAE also has a favourable ecosystem of startups in the domain of artificial intelligence applications in financial services, which can help build such solutions for small businesses.

### Readiness





# Use case

## Alternative SME Financing

Using open banking, lenders can look directly at the business cash flows to determine creditworthiness and the amount of credit to extend. It can help reduce decisioning times and offer the best financing solutions.

### Case Study

**Krea** is a marketplace for SME financing. The platform facilitates digital loan applications across multiple lenders and an intuitive comparison tool to support SME decision-making. Now, it is powered by **Klarna's** open banking division to provide competitive lending rates.

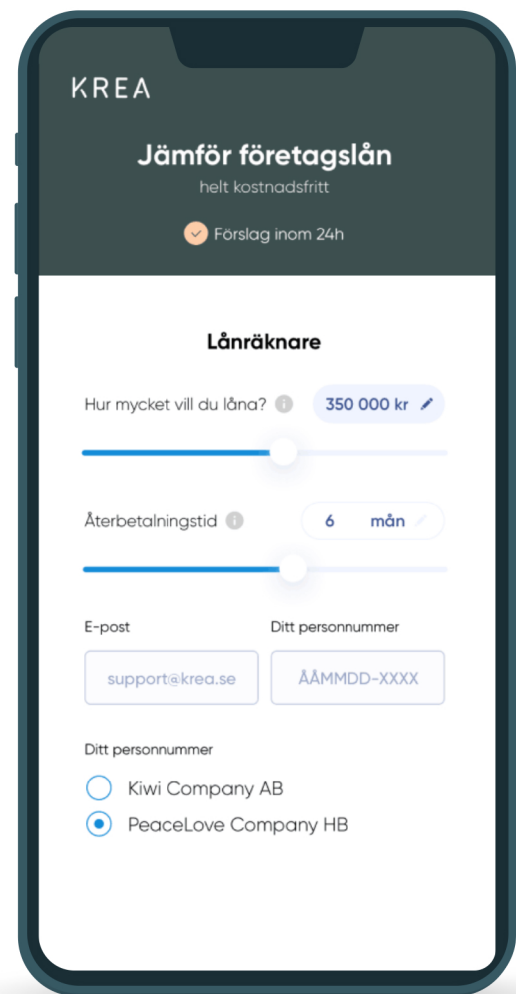
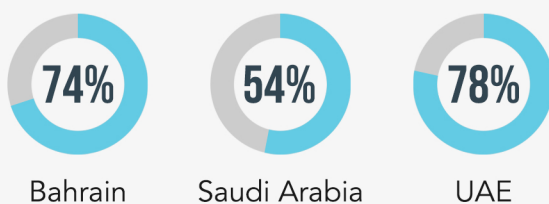
**5x** increase in the proportion of loan applications supported by bank account data was a result of the partnership

#### Use Case Readiness in the GCC

Business financing in the region, falls short compared to the global average of 146%

This presents a massive potential for SME open banking powered alternative financing which can boost businesses as well as the economy.

#### Domestic Credit to Private Sector, GDP



#### Readiness



# Use case

## Automated Tax Planning

Connecting open banking to banking data and tax planning tools, businesses can leverage automated solutions to ease their tax compliance requirements.

### Case Study

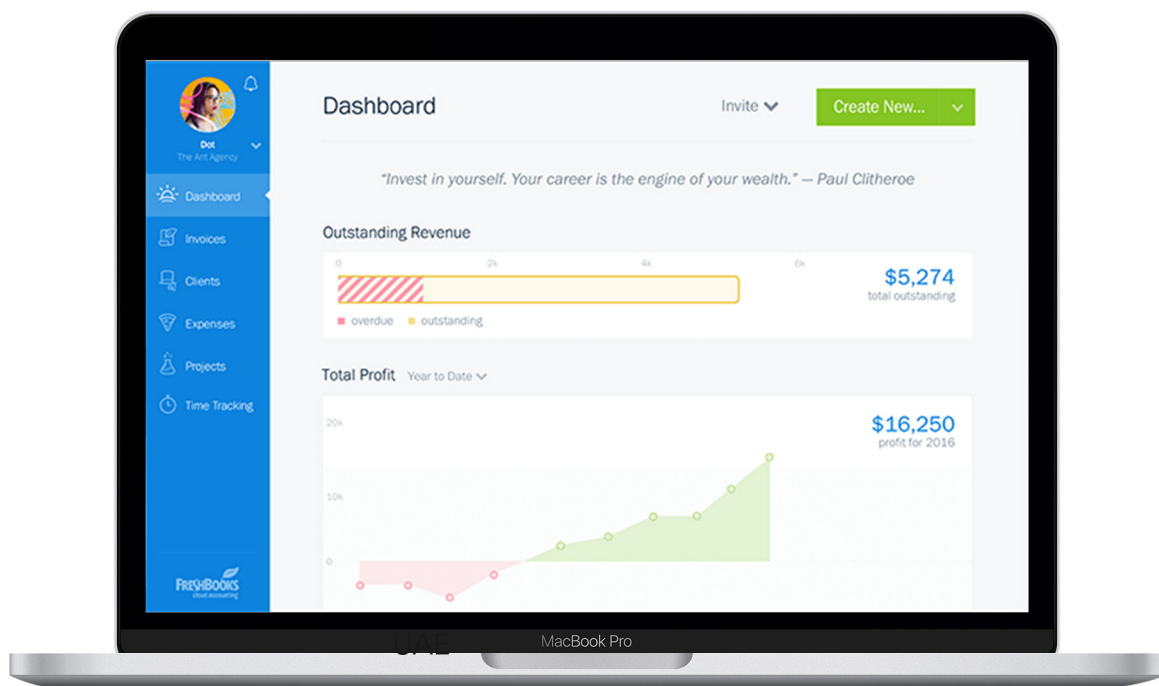
**FreshBooks** is an online invoicing and accounting software designed for self-employed professionals, small business owners and their teams.

With the support of Open Banking, FreshBooks helps users connect bank accounts and credit cards to auto-import, organize and categorize transactions. With the feature, VAT Returns are automatically populated based on digital invoice and transaction history, and filed directly with HMRC.

### Use Case Readiness in the GCC

Supported by open banking initiatives and electronic tax filing infrastructures, small businesses in the region can benefit from automated tax planning solutions.

### Readiness



# Industry Point of View



## Anna Maj

Anna is a thought leader in Open Banking with 20+ years of experience in driving banking and payments innovation in Europe and the Middle East.

*Four years after the introduction of PSD2 in Europe, the Open Banking initiatives are being developed in all the continents, spanning across 60 countries. It's a global phenomenon now gaining consumer adoption and attracting attention of business clients, SMEs in particular.*

*Open Banking is a hot topic in MENA, with the Open Banking Framework in place in Bahrain, the Central Bank of Bahrain paved the way for the advent of Open Banking in the Middle East, the Open Banking Policy introduced in the KSA, and a growing interest in other MENA geographies. It's a perfect moment for the financial sector to harness the potential of Open Banking as well as leverage Open Finance capabilities in the region. Considering the growing number of TPPs, new entrants who are instrumental for driving innovation and providing innovative financial services, it is also a momentum for all the industry actors to push the agenda towards Open Finance and Open Data, a data-sharing and collaborative ecosystem of different stakeholders: banks, telecoms, regulators, merchants and TPPs.*

*PFM is one of the flagship solutions fuelled by Open Banking - personal finance management based on account information and aggregation provided with use of Open APIs.*

*It's a solid foundation for building consumer financial wellbeing, however it is just a tip of the iceberg, since the range of the services powered by Open Banking is almost unlimited. If we look closer at the transition into Open Finance, we will find in the market some of the benchmark use cases, which enable for shifting the perspective to financial inclusion as well as financial wellbeing. Alternative credit scoring based on bank account information can be used for data-driven BNPL scenarios. Wealth management enhanced with data analytics and robo advisory, insurance, pension funds can also be triggered by Open Banking APIs. For example, a verification API used as an underlying technology for digital onboarding and identity management is one of the best examples of the consumer-centered scenarios, bringing the customer experience in banking and payments to the next level.*

*There are also some high-potential use cases for SMEs. Let's take an example of automated accounting. By connecting bank information from multiple business accounts companies can streamline bookkeeping, accounting and invoicing processes, resulting in optimising cashflow forecasting, liquidity management or tax planning. This is how multibanking information*

*powered by Open Banking APIs sets a basis for BFM - business finance management.*

*To grasp the opportunities arising from the above scenarios and to maximise the value of Open Banking not only the regulatory framework is needed, but first and foremost, the cross-industry engagement and collaboration of all the industry stakeholders is required.*

### **Anna Maj**

*FinTech Leader & Advisor  
Member Spire Think Board*





# Olivier Crespin

Olivier Crespin is the Co-Founder and Chief Executive Officer of Zand. Since taking on this role in 2018 he has focused on leveraging hybrid digital banking strategies to establish Zand as the first fully digital bank in the region to combine both retail and corporate banking.

*The global economy is going through extensive digital transformation. As a result, new collaborations, partnerships, and business models are emerging in all industries. Financial services are no different. It's going through an immense and rapid change, primarily driven by consumer behaviours and enabled by technology. There is a growing expectation from consumers to match the convenience and experience of big techs while significantly increasing the financial choices; choices that are targeted, personalised and help consumers and MSMEs manage their money better and in a more informed way.*

*To bring more personalised and meaningful financial choices to consumers and MSMEs, Open Banking plays a critical role, which is the first step in what will inevitably be an "Open Data" future within the "Experience and Digital Economy". Open banking enables financial data ownership among consumers and MSMEs in a secure, transparent, and efficient way, and banks and regulated Third Party Providers can offer personalised services to the consumers and MSMEs with their consent. Fundamentally, open banking is rewiring the fundamentals of the financial services industry which will bring*

*competition and foster innovation to offer next-gen financial services to the consumers at a competitive rate.*

*Open banking is a global phenomenon and various countries, and regions are at different stages of maturity. Some driven by a regulatory-led approach while others taking it forward with a more collaborative approach - but mainly it is a combination of ecosystem readiness, quality API connectivity within the ecosystem, and customer-facing use cases for faster adoption.*

*For the GCC, open banking is mostly driven by a regulatory push. To enable a reliable open banking ecosystem, two key factors must be considered: (a) Market readiness and (b) Regulatory readiness. Both are critical for success. Several countries around the world have done a great job in building a robust and sustainable open banking ecosystem; however, adoption is still the biggest challenge for even mature markets.*

*In the GCC, adoption of open banking requires a focus on both the demand and supply-side. Demand-side factors like market readiness, demographics,*

*digital literacy, and consumer behaviours, and supply-side factors like regulatory readiness, robust sandbox availability, number of fintechs, public availability of quality APIs, banks' readiness, and availability of funding will play a critical role in the adoption of open banking.*

*Overall, the GCC is just warming up to bring open banking to life. Countries like Bahrain and Saudi Arabia are showing great progress while UAE, Qatar and Oman are working on various initiatives to make open banking a reality. Consumers will be the ultimate winners, as they can expect a large variety of choices in a very short period, and at a very competitive price.*

## Olivier Crespin

Co-founder & CEO, 🍌 Zand





# Conclusion

The road to reach open banking readiness is well on its way for the GCC. First and foremost, the regulators in the core GCC markets are leading the way to lay down a solid framework and foundation of Open Banking or Open Data. This will ensure trust and confidence amongst the eco system participants and will allow Open Banking led innovation by the TPPs to flourish freely to benefit the end users both Retail and SME in a way that will have a real and true positive impact on their financial wellbeing.

The pace of adoption of Open Banking will be driven by a combination of TPPs introducing market pertinent use cases and the banks willing to further their Open Banking strategy with commitment coming from top down.

## Open Banking for Consumers

With the groundwork to lay Open Banking foundation well underway in GCC, led by Bahrain and very closely followed by Saudi Arabia and UAE, and a majority of the young and tech-savvy GCC population, there is no looking back as far as Open Banking transformation is concerned.

A fully thriving and supportive Open Banking ecosystem will entail basic and value added features for the end user such as

- Accounts Aggregation and information
- Personal Finance Manager (PFM)
- Payments initiation without the use of cards
- Digital Onboarding
- Credit Scoring entailing complete financial footprint



## Open Banking for MSMEs

Open Banking-powered features and use cases for MSMEs will be a game changer for this critical segment of any economy. The traction gained in the UK and Europe is a validation of how Open Banking has enabled TPPs to offer unique solutions for MSMEs and how this segment has benefited.

By opting and providing consent to share their banking transaction data with TPPs, MSMEs gain access to a much larger canvas of financiers, advisors, avail funding limits and pricing based on a more accurate and real time profiling.

This also results in providing MSMEs more options that reduce their input costs, truly meet their financial goals and needs, and avail improved credit ratings based on more in-depth and real-time financial profiling data.



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 our open banking technology solutions, consumer facing use cases, 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 MSMEs.



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