TISA
The Investing and Saving Alliance

OPEN FINANCE CONFERENCE

A Digital Revolution reshaping UK Financial Services

Monday 18th November 2019

Lead sponsor

EY Building a better working world

Kindly hosted by

Hogan Lovells

Opening remarks from TISA

David Dalton-Brown, Chief Executive Officer, TISA

Open Finance

- The ability for consumers to have full access to their financial data so as to take greater control of their Financial Well-Being.
- Covers all aspects of Financial Well-Being : Health and Wealth
- Made possible through the introduction of:
  - Open standards and APIs.
  - Supporting Trust Framework - Consumer Consent, liability management, standards & regulatory permissions for trusted parties.
  - Required regulatory and legal developments

Open Finance – FDATA Definition

"Open Finance" describes the process whereby a financial services customer can choose to enable Third Party Providers (TPPs) to offer products and services by compelling current providers of financial services to share access to the customer's financial data. Some of the services provided by TPPs may be competitive to existing financial service providers.

The Genesis Of Open Finance

Eduardo Martinez Barrios - Head of Open Banking Product

London, 18th November 2019

Santander

1967

First world ATM in London.

1980s

Introduction of online banking services.

1999

Beginning of mobile banking.

2018

Open Banking APIs

Santander

Open banking is spreading beyond Europe and creating new competition for banks

CANADA

- The Department of Finance Canada launches Advisory Committee on open banking

UNITED STATES

- OCC explores a "fintech charter"
- OCC issues conditional banking charter

MEXICO

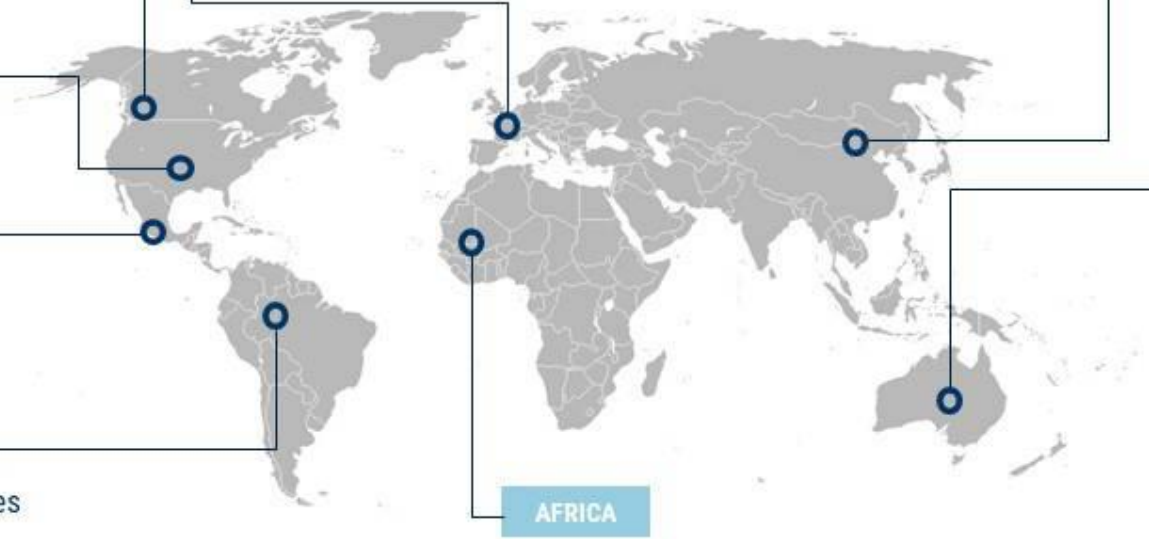
- Mexico passes "Fintech Law" and requires banks to establish open APIs

LATIN AMERICA

- Brazil's central bank issues new banking rules
- Chile regulators follow Brazil's lead
- Peru drafts first Fintech Bill
- Argentina tries to follow Peru's lead

EUROPE

- In Jan'19 the FCA reported 80 TPPs registered
- As of Sept'18 there were 17.5M monthly open API calls
- Both the EU's revised payment services directive (PSD2) and UK's Open Banking Framework went live



AFRICA

- Nigeria sets up the Open Technology Foundation, a not-for-profit industry group developing open API standards
- South Africa Reserve Bank (SARB) started researching the establishment of a regulatory sandbox to foster collaboration with emerging tech startups

ASIA

- The Hong Kong Monetary Authority released the Open API Framework
- HKMA starts issuing virtual bank guidance and licenses
- The Monetary Authority of Singapore's (MAS) API Playbook is released

AUSTRALIA & NEW ZEALAND

- Australia Securities and Investment commission (ASIC) openly endorses open banking guidelines
- Open banking put on hold in Jan'18 by the federal government

CBINSIGHTS

Customer adoption

1.45%

Open Banking adoption rate

TPP funnel

61

TPPs with an App offering

50

TPPs with a prototype

290

TPPs applied for Open Banking

Banks presence

26

Banks active in Production

79

Total non-CMA9 Banks in Open Banking

+49M

Digitally active customers across the CMA9 Banks

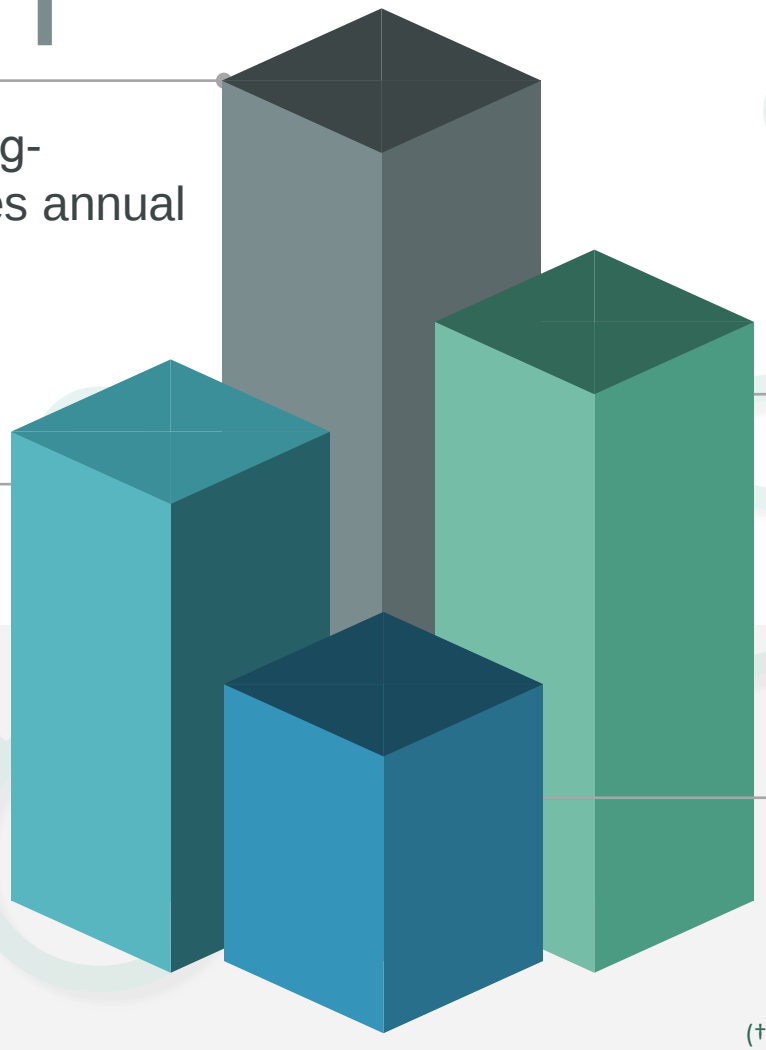
Keeping momentum

£18 billion

Estimated UK's Open Banking-enabled services opportunities annual value*

36%

Global eWallet payments estimated in 2018
Forecasted to grow up to 47% by 2022 **



81%

UK smart phone penetration rate by 2016 †

290

Third party providers currently in the process of registration

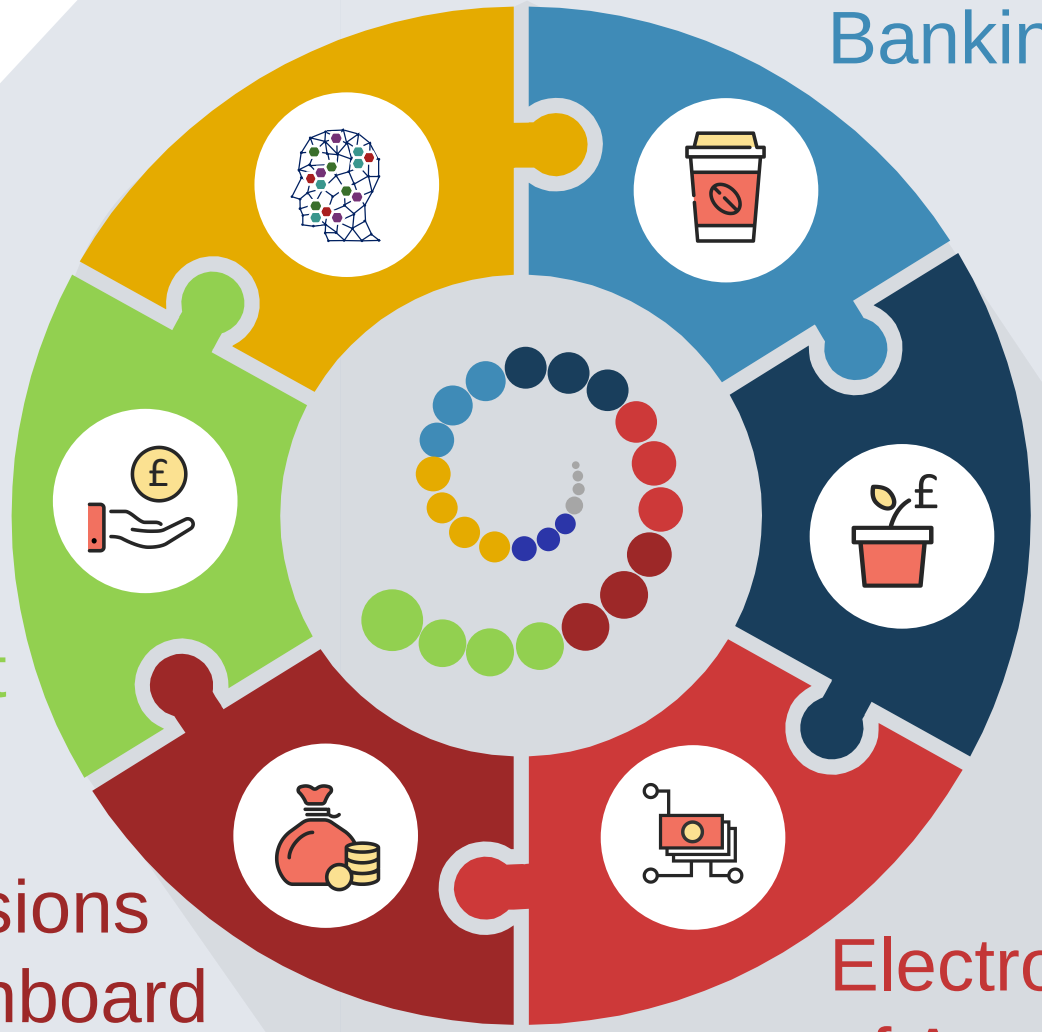
(*) Consumer Priorities for Open Banking: Faith Reynolds & Mark Chidley

(**) Source Worldpay: Global Payments Report Digital 2018

(†) https://www.deloitte.co.uk/mobileuk/assets/pdf/Deloitte-Mobile-Consumer-2016-There-is-no-place-like-phone.pdf

Santander

Open Finance



Digital ID

Open Banking

Open Savings & Investments

Electronic transfer of Assets

Pensions Dashboard

Funds Trading & Settlement

Santander

UK's Open Banking implementation lessons learned

Scope maturity

- Coexistence with parallel regulation
- Functionality and specifications definition aligned with attractive use cases for the ecosystem
- Realistic roadmap: fit for purpose delivery

Change Management

- Technology pace is faster than public's appetite to adopt new features
- Consolidated use cases available through TPPs
- As-Is Ecosystem implications and transition to new dynamics

Foundations

- Technology leverage
- Security framework
- Trusted ecosystem
- Collaboration spirit

Costs

- High investment commitment
- Challenging financial/resource requirements for smaller participants
- Sustainable investment

Open Finance

Santander

Thank You.

Our purpose is to help people and business prosper.

Our culture is based on believing that everything we do should be:

Simple Personal Fair

Santander

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

FTSE4Good

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The Investing and Saving Alliance

Impact of Open Finance Advisers, Providers and Business Models

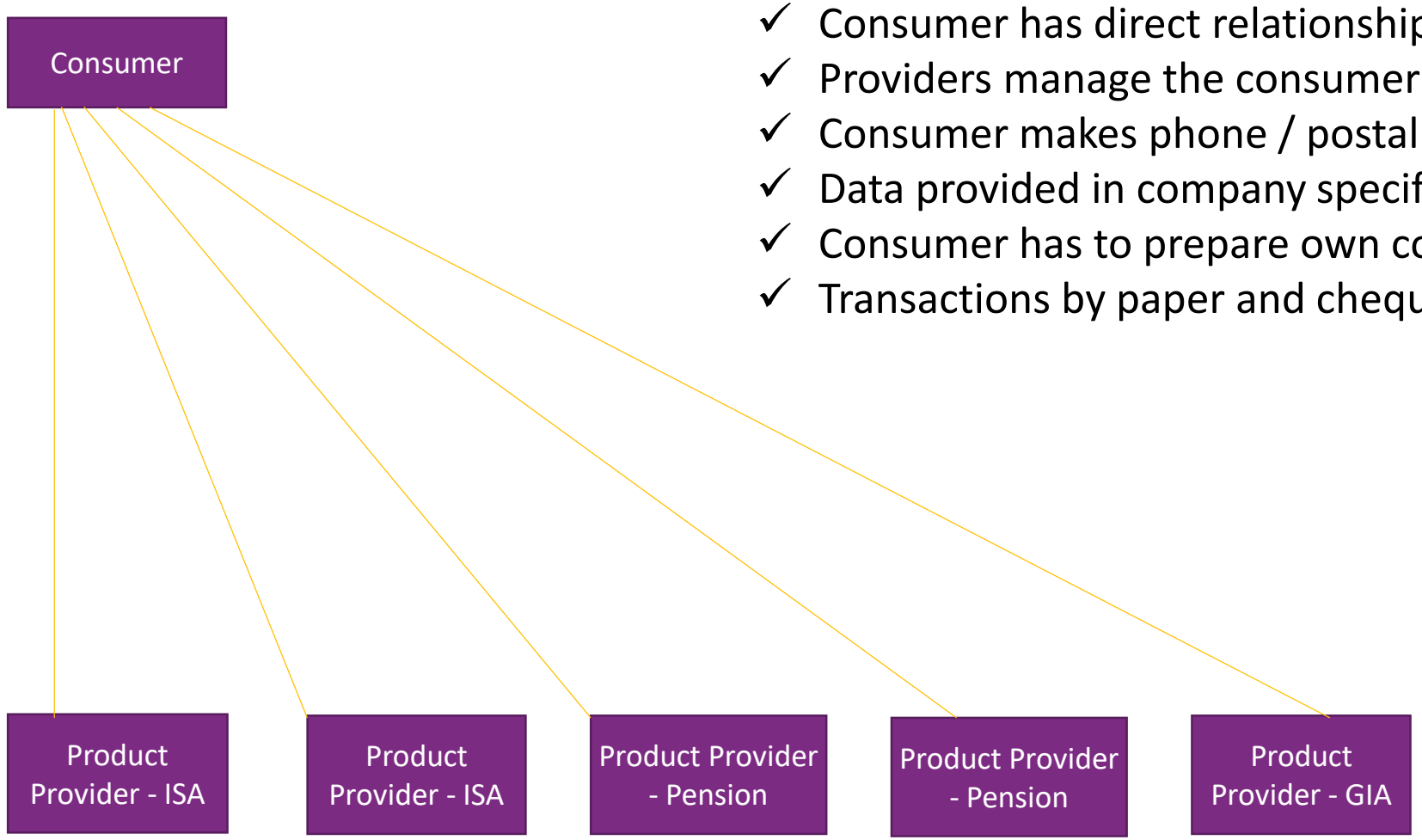
David Dalton-Brown, Chief Executive Officer, TISA

Content

- Industry Models – past evolution of consumer engagement
- Industry Models – future evolution of consumer engagement
- Some case studies of future consumer engagement models
- Winners and losers
- Next steps for your business

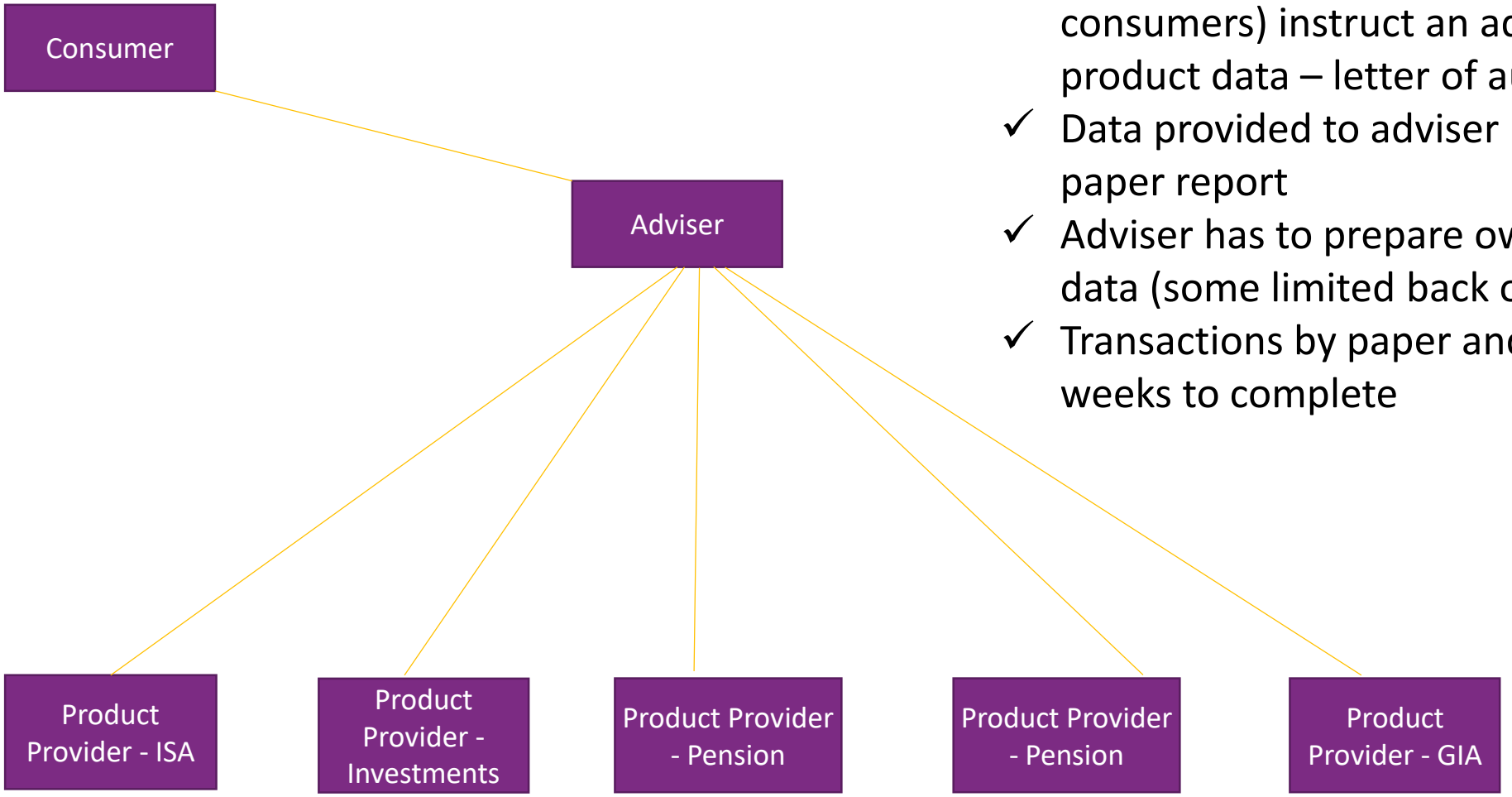
Past evolution of consumer engagement

Pre-2000 – before the emergence of online platforms



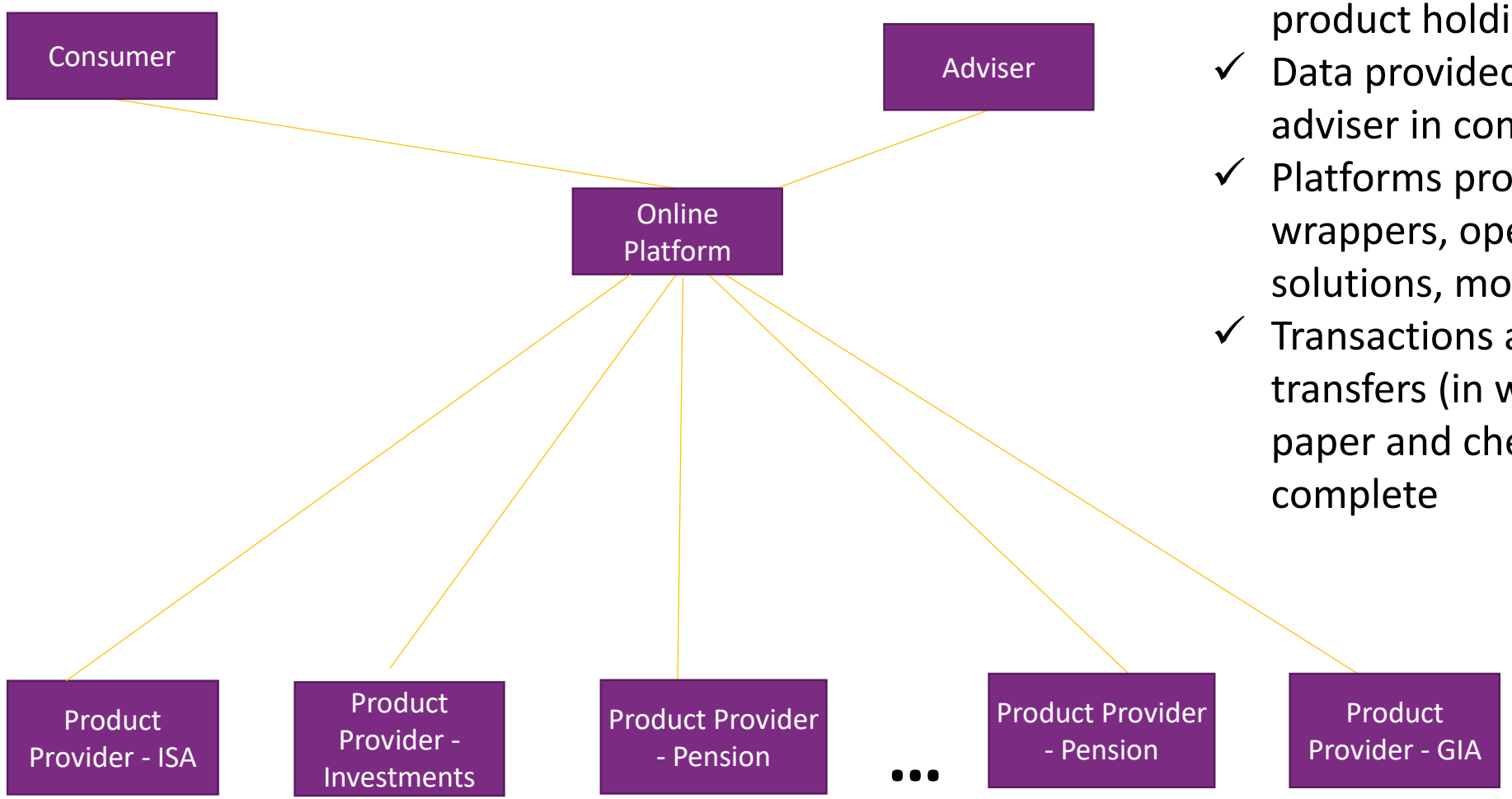
- ✓ Consumer has direct relationship with product providers
- ✓ Providers manage the consumer relationship
- ✓ Consumer makes phone / postal request for data
- ✓ Data provided in company specific, paper report
- ✓ Consumer has to prepare own consolidation of data
- ✓ Transactions by paper and cheques taking weeks to complete

Pre-2000 – before the emergence of online platforms



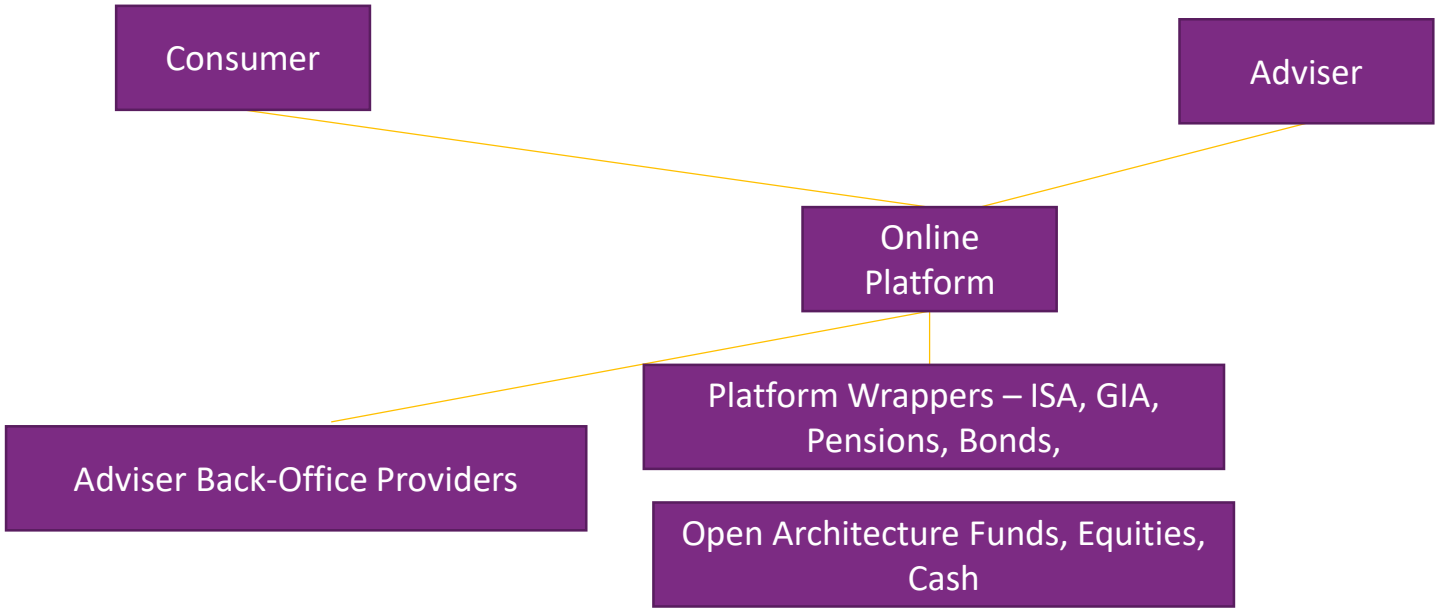
- ✓ Consumers with an adviser (only 8% of consumers) instruct an adviser to collect their product data – letter of authority
- ✓ Data provided to adviser in company specific, paper report
- ✓ Adviser has to prepare own consolidation of data (some limited back office support)
- ✓ Transactions by paper and cheques taking weeks to complete

Post-2000 – The emergence of online platforms



- ✓ Platforms consolidate consumers product holdings
- ✓ Data provided to consumers and adviser in common digital format
- ✓ Platforms provide product wrappers, open architecture fund solutions, modelling tools etc.
- ✓ Transactions are online and asset transfers (in wrapper) in-specie by paper and cheques taking weeks to complete

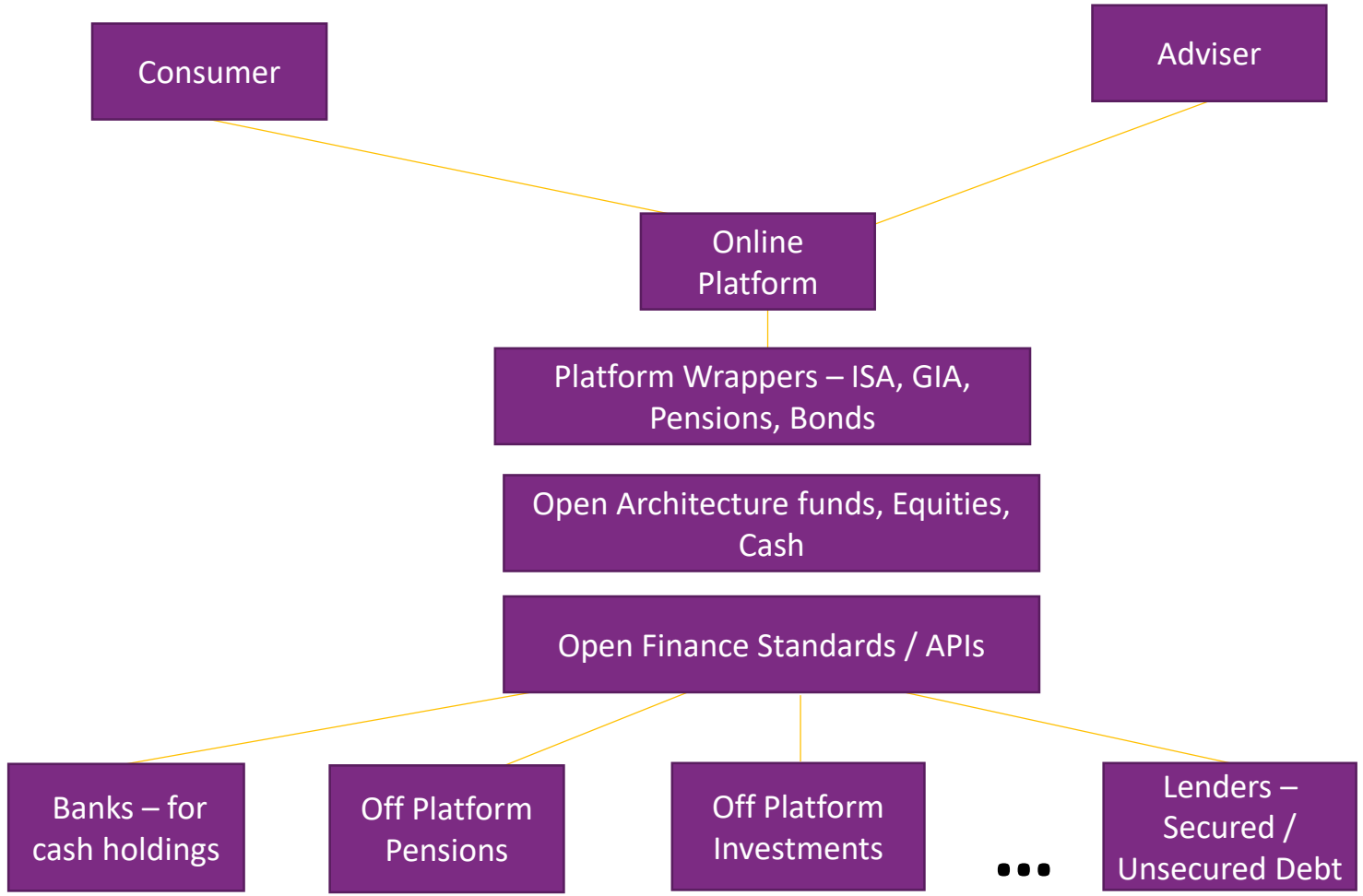
Post-2005 – Online platforms become the norm



- Platform consolidates assets into its own ISA, GIA and Pension Wrappers
- Traditional non-platform, product providers are removed from market through consolidation by platform
- Fund managers are disintermediated from the consumer (Via Platform D2C or Adviser Relationship)

Future evolution of consumer engagement

Open Finance – Stage 1 – Evolving central consolidation model



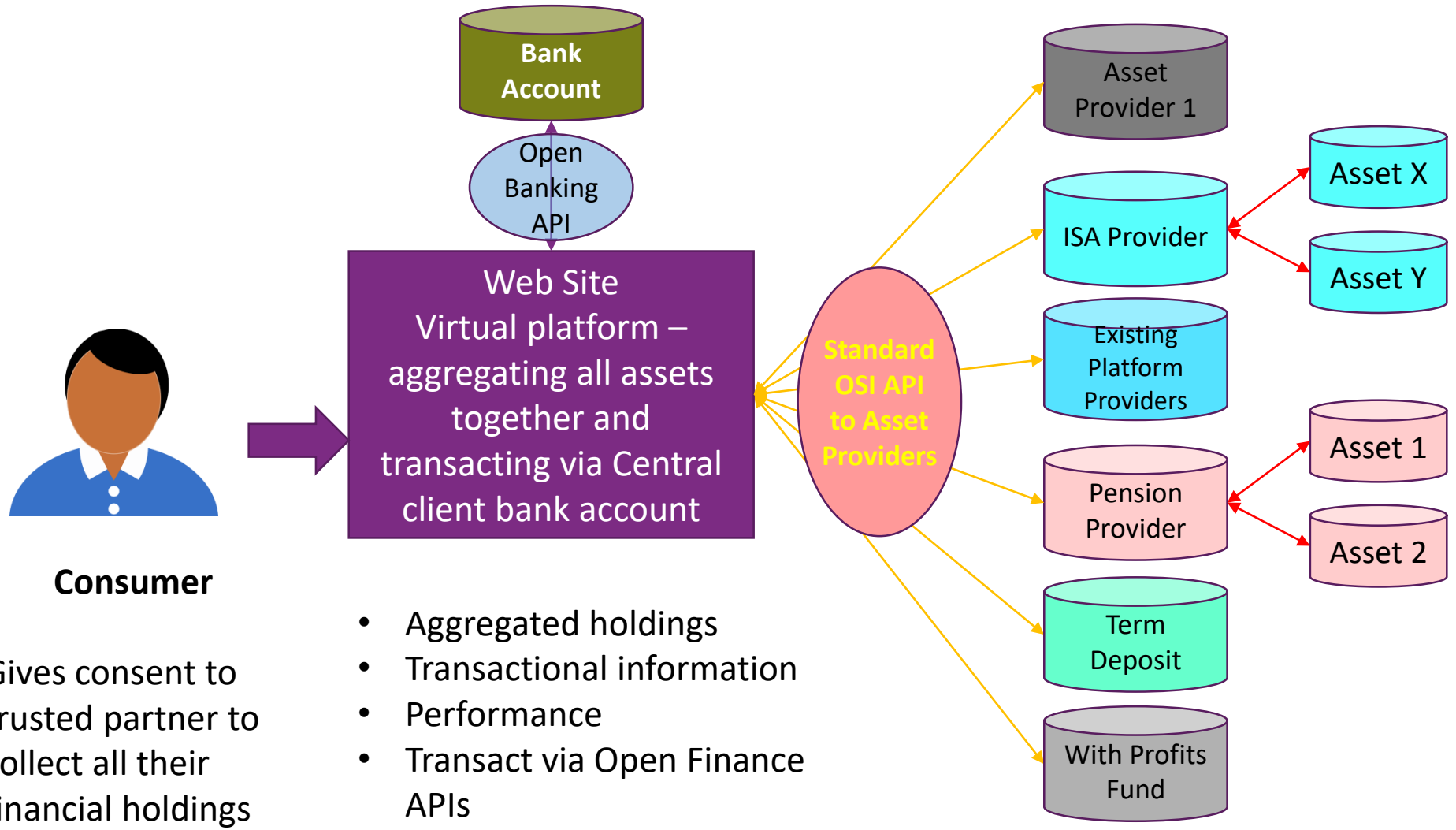
- Platforms provide full picture of consumers on and off platform assets and debt
- Consumer gets full picture of their financial position
- Advisers are able to provide improved / complete services at lower cost
- Off platform providers are further disintermediated by platforms – further loss of consumer contact
- Platforms extend the services and product offerings

Open Finance – Stage 2 – Emerging / potential models

Some potential examples:

- Existing Fintech personal finance providers (Moneybox, Money Dashboard…) and online banks (Monzo..) embrace Open Finance to provide personalized financial consolidation services coupled with simple guides to managing personal finances.
- Leading advisers embrace Open Finance to build personalised consolidation services for their client base and then partner with wrapper providers and institutional trading services to provide an adviser own platform service.
- Back office providers (Intelliflo…) embrace Open Finance and provide complete consolidation platform service to advisers and consumers.
- Next generation Fintech emerges that offers complete consumer and adviser consolidation services replacing existing centralized platform providers.
- Existing traditional product and investment providers adopt Open Finance to develop new retail consumer services – they push back against disintermediation.

Stage 2 - Fintech provider – virtual platform/aggregated holdings



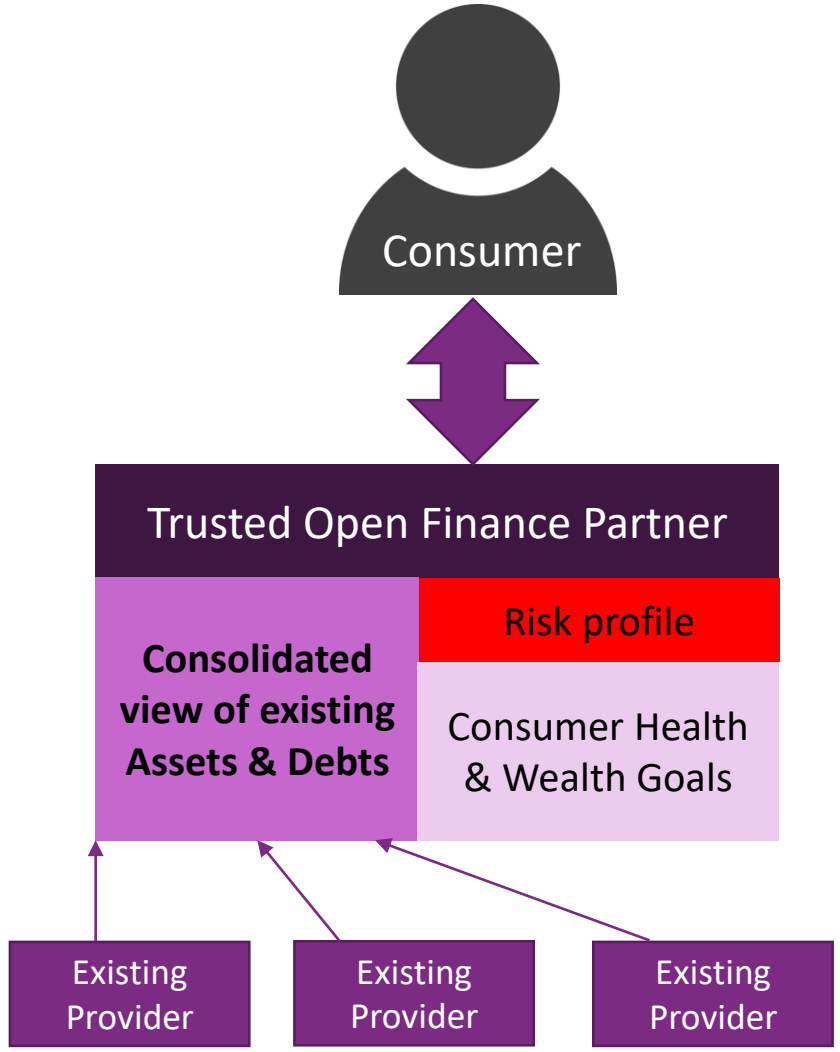
Consumer

Gives consent to trusted partner to collect all their financial holdings

- Aggregated holdings
- Transactional information
- Performance
- Transact via Open Finance APIs

Open Finance Stage 3 – The emergence of the consumer led market

UBERisation of Retail Financial Services



Open Finance Stage 3 – The emergence of the consumer led market

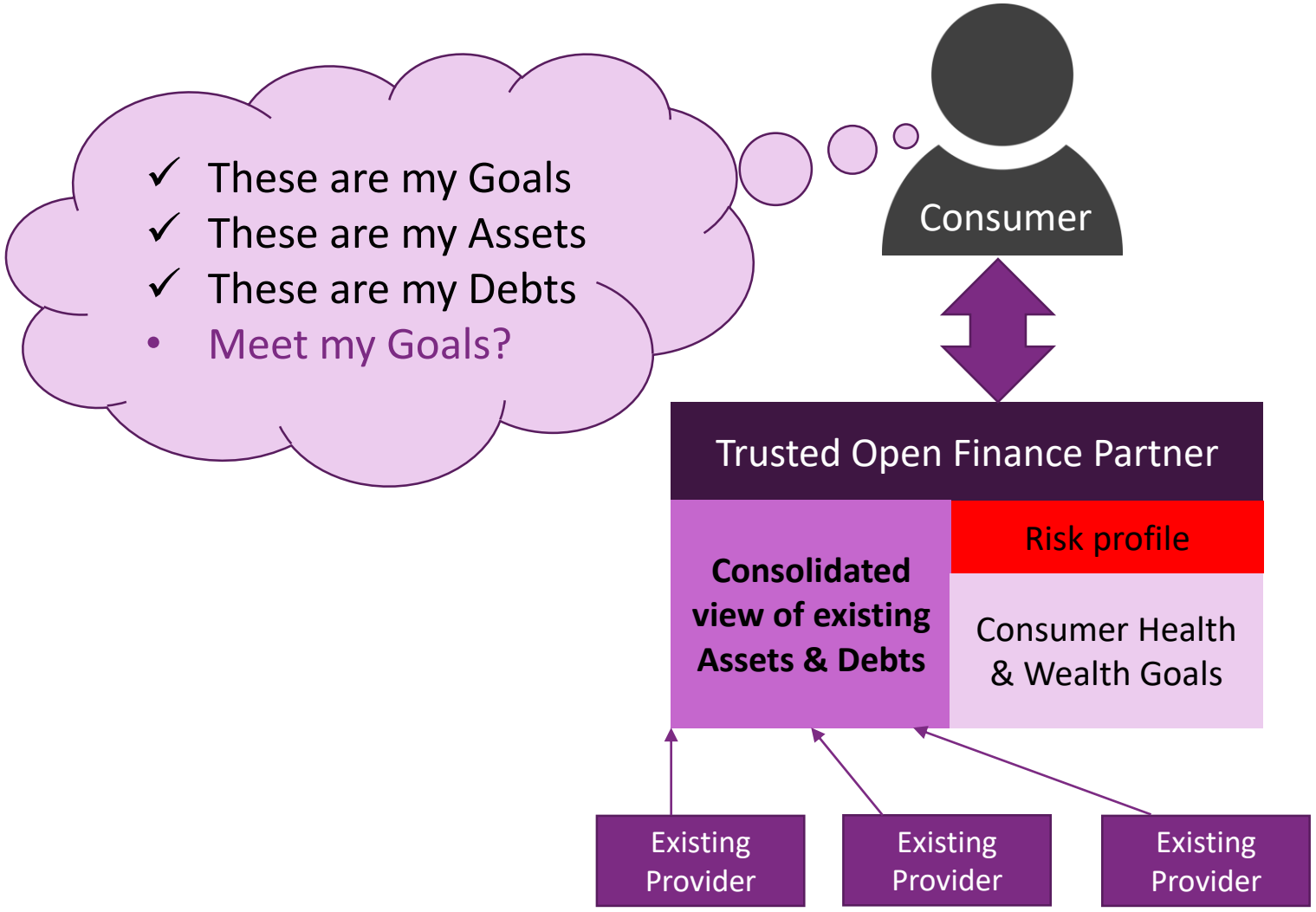
UBERisation of Retail Financial Services

Open Finance Provider 1

Open Finance Provider 2

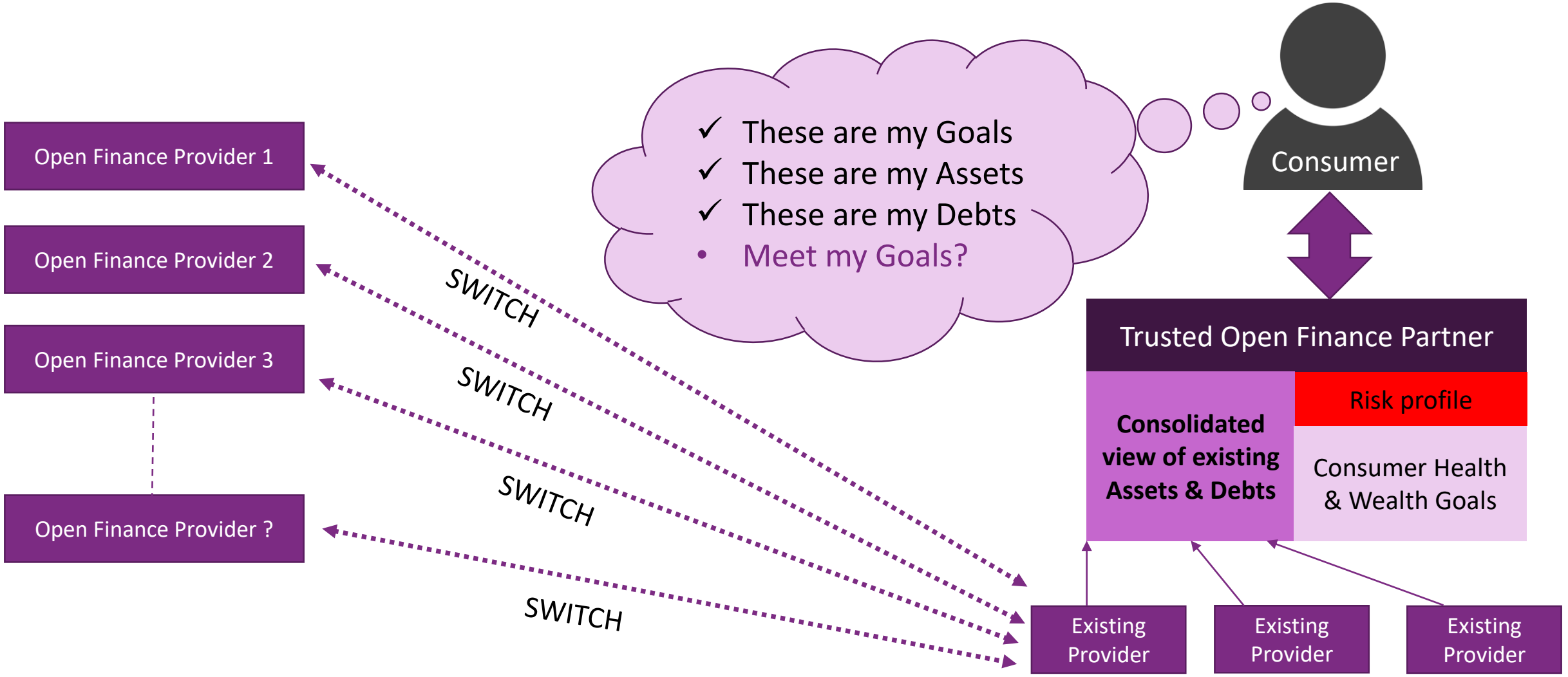
Open Finance Provider 3

Open Finance Provider ?



Open Finance Stage 3 – The emergence of the consumer led market

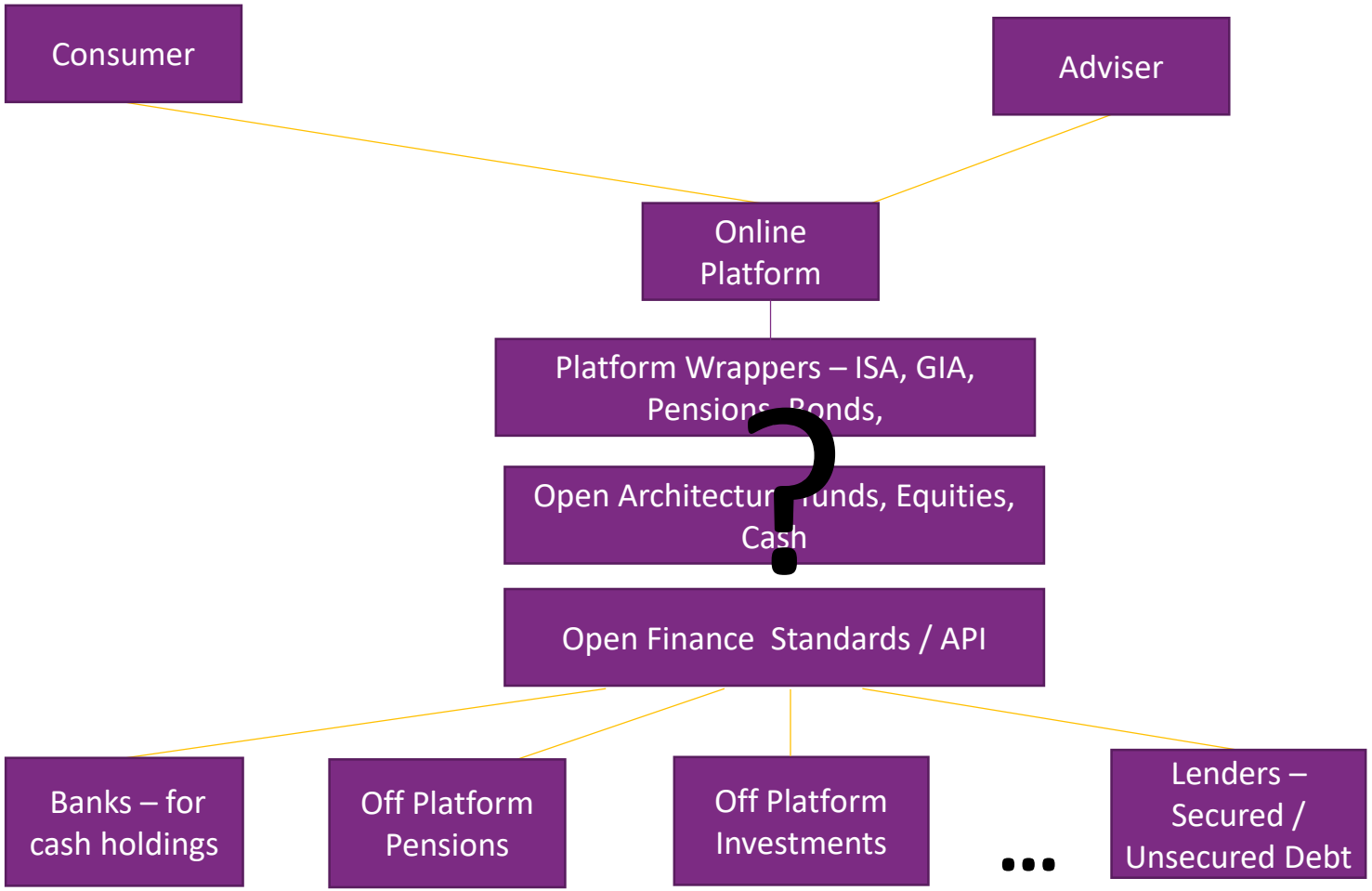
UBERisation of Retail Financial Services



Potential Impact of Open Finance on Advisers, Provider and Current Business Models

Open Finance – arrival of new personalised consolidation services

How could business models of centralised platform consolidators evolve?



- Platforms further focus on improved services to advisers – retain the advice relationship
- Platforms develop white label solutions for advisers
- Platforms launch next generation retail personalised consolidation service and provide introductions to advisers / introduce their own advice and guidance services
- Platforms embrace full range of Open Standard and APIs and become service providers for all traditional providers….

Open Finance - Some options for current product & investment providers

- Embrace Open Finance – partner with platforms who have adopted Open Finance
  - Leverage platforms investment in Open Finance
  - Consolidate all legacy holdings with platform partner
  - Accept that business in now an institutional / disintermediated provider
- Embrace Open Finance - bypass the platforms
  - Establish new consumer / adviser engagement model
  - Design products to support Open Finance
  - Evolve Distribution and Administration Systems to include use of Standards / APIs
- Maintain current model and acknowledge potential impact – further disintermediation

Open Finance - Some potential options for advisers

- Embrace Open Finance – partner with platforms who have adopted Open Finance
  - Leverage platforms investment in Open Finance
  - Consolidate all holdings of existing clients with platform partner
  - Develop advice model to cover all consumers life goals
- Embrace Open Finance - bypass the platforms
  - Partner with Open Finance Fintech developer
  - Partner with back-office provider who has embraced Open Finance
  - Adopt a white label Open Finance solution
  - Develop advice model to cover all consumers life goals
- Maintain current model and acknowledge potential impact

Winners and losers

Open Finance – Potential winners and losers

- Winners:
  1. Those closest to the consumer have the best range of proposition options and ability to optimise ROI
  2. Having consumer financial well-being at the centre of your proposition planning will keep your business relevant
  3. Embracing Open Finance provides the foundations for staying close to the consumer and for understanding consumers financial well being needs
  4. Those prepared to disrupt their business models – Open Finance is a disruptive development

- Losers:
  1. Those not above

Next steps for your business

Next Steps

- Remember Open Finance could be mandated by government / regulators – Open Banking and Pension Dashboard are already mandated
- Consider / assess strategic options – be in a leadership position through knowledge
- Speak to your customers – understand their views on digital engagement – how does Open Finance support your customers needs
- Engage with industry projects (Open Banking, Open Savings & Investment and Pension Dashboard) to help shape industry development of Open Finance
- Consider partnership opportunities that support your digital consumer engagement model
- Consider the digital customer propositions that support your engagement model

TISA's Open Savings and Investment Project includes participants from all areas of the Financial Services Community

TISA are extending the current steering committee – to a maximum of 20 member firms

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Adam Byford, Distribution Director, Anorak Technologies

HELLO, WE ARE ANORAK

anorak

The new standard in protection sales

A software platform enabling any financial services company to offer life insurance advice and products to their customers - at scale

anorak

British, informal: A person who is extremely enthusiastic about and interested in something that other people find boring.

Like life insurance. 😬

An award-winning protection tech company backed by AXA

£9M invested

Top 5 hottest fintech company in the world

Business Insider 2019

Most Innovative Life Insurance Firm

Life Insurance International Innovation Awards 2018

1 UK Insurtech

By Insurance Post and Tallt Ventures

As seen in: Cover Magazine – FT Adviser – Life Insurance International – Techworld – TechCrunch

anorak

Why do we exist

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As an industry we are not providing the protection that people need

⅓ of families have no savings

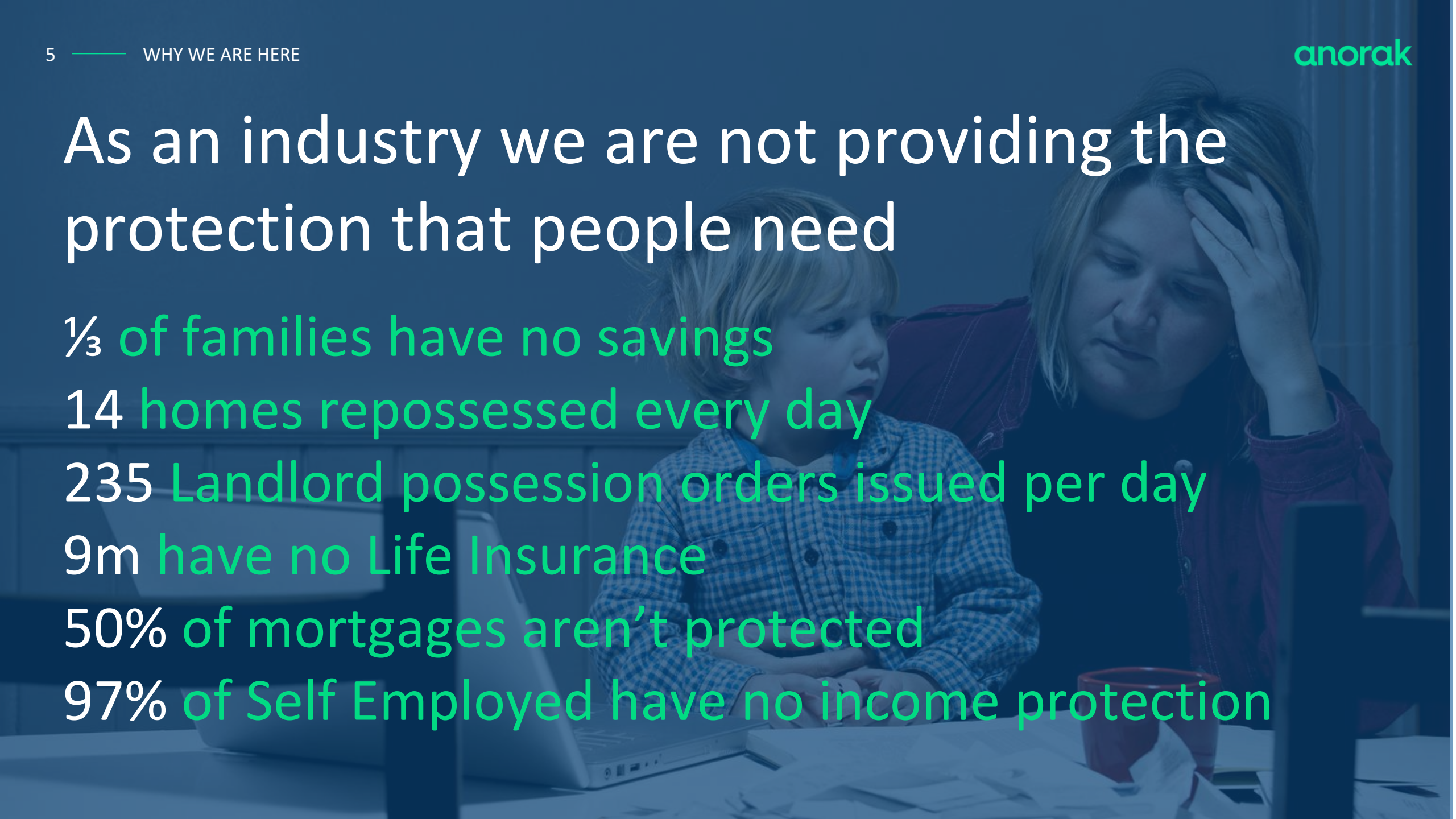
14 homes repossessed every day

235 Landlord possession orders issued per day

9m have no Life Insurance

50% of mortgages aren't protected

97% of Self Employed have no income protection



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We feel that the industry has lost sight of the customer wants and needs

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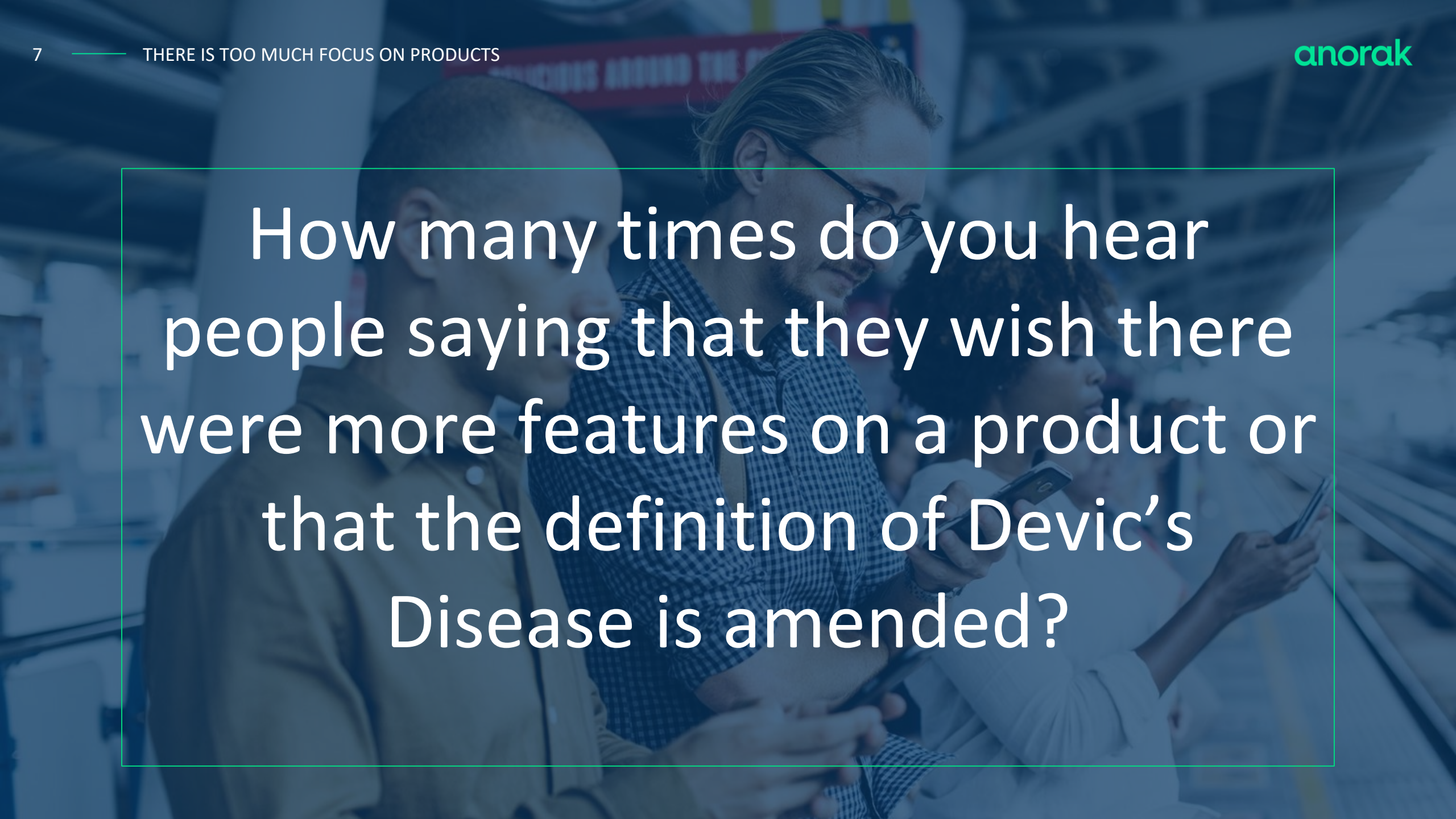

How many times do you hear people saying that they wish there were more features on a product or that the definition of Devic's Disease is amended?

anorak

The way people expect to buy protection has changed – for good

Omnichannel access

An online-first service, easy to access on mobile, desktop, chat or phone

Instant solutions

A personalised experience, plus an instant and situation-specific outcome

Expert help

Both automated expertise and human help to support informed decision-making

Data transparency

Fair value exchange, plus transparent and minimal use of personal user data

anorak

News > Business > Business News

1,900 jobs go as AMP takes axe to Pearl's door-to-door sales force

By Rachel Stevenson | Wednesday 4 December 2002 01:00 |

FCA Warns of 'Financial Advice Gap'

The Financial Conduct Authority has just published the final report on its Financial Advice Market Review and it contains proposals to change the way in which financial advice is offered, making it more widely available to those with less money.

Regulation May 15 2019

Has RDR restricted access to financial advice?

Articles - Unintended consequences of RDR are starting to surface

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New home

New baby

Death or illness

New job

Marriage

Divorce

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What are we doing about it?

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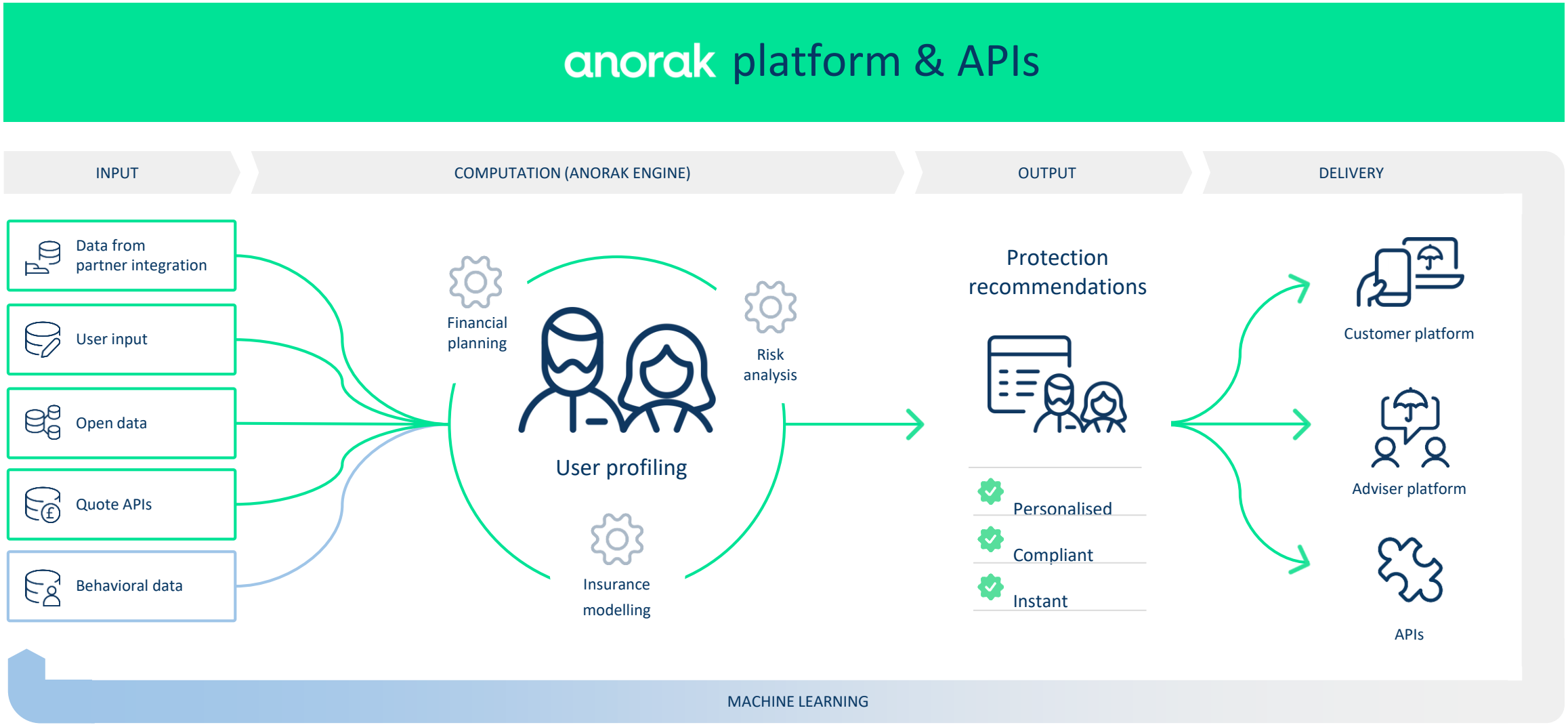
This is **not** about Robo Vs Human It's about building a scalable new business channel that delivers better customer outcomes

Get needs-based advice and the right protection for them

Drive more sales and efficiency, with compliance and due care

100% proprietary technology stack



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AI-based user profiling

- Multiple data sources – e.g. bank transactions, risk data and open data
- Open-banking used to profile and monitor users
- Actuarial and risk data integration – e.g. mortality, morbidity and incidence rates
- CRM system integration for automated protection fact-find

Financial planning & risk analysis

- Lifetime risk exposure and needs analysis
- Coverage gap analysis
- Multi-scenario computation
- Optimal coverage computation
- Market-available product outcomes
- ML-trained predictive quoting

Insurance modelling

- Deep semantic data modelling
- Dynamic product suitability analysis
- Reverse engineering of whole-of-market protection products
- ML-trained predictive quoting

Anorak advice engine

Customer platform

Adviser platform

APIs

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Who do we work with?

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With technology, it’s anyone’s game

Seize the opportunity

- Insurers
- Banks and Lenders
- Price comparison websites
- Mortgage advisers
- Financial advisers

Create the opportunity

- Employee Benefit Consultants
- Online money services
- Affinity brands
- Anyone good at helping people online

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L&C MORTGAGES

- Mortgage data creates report
- Anorak email client
- Client view
- Call trigger from client action
- L&C use adviser view
- Adviser support provided on telephone (L&C)

nutmeg

- Anorak provide Nutmeg with content for emails and blogs
- Nutmeg have incorporated a Life Insurance section into their financial report
- Clients are passed to Anorak without data
- Adviser support provided on telephone (Albany Park)

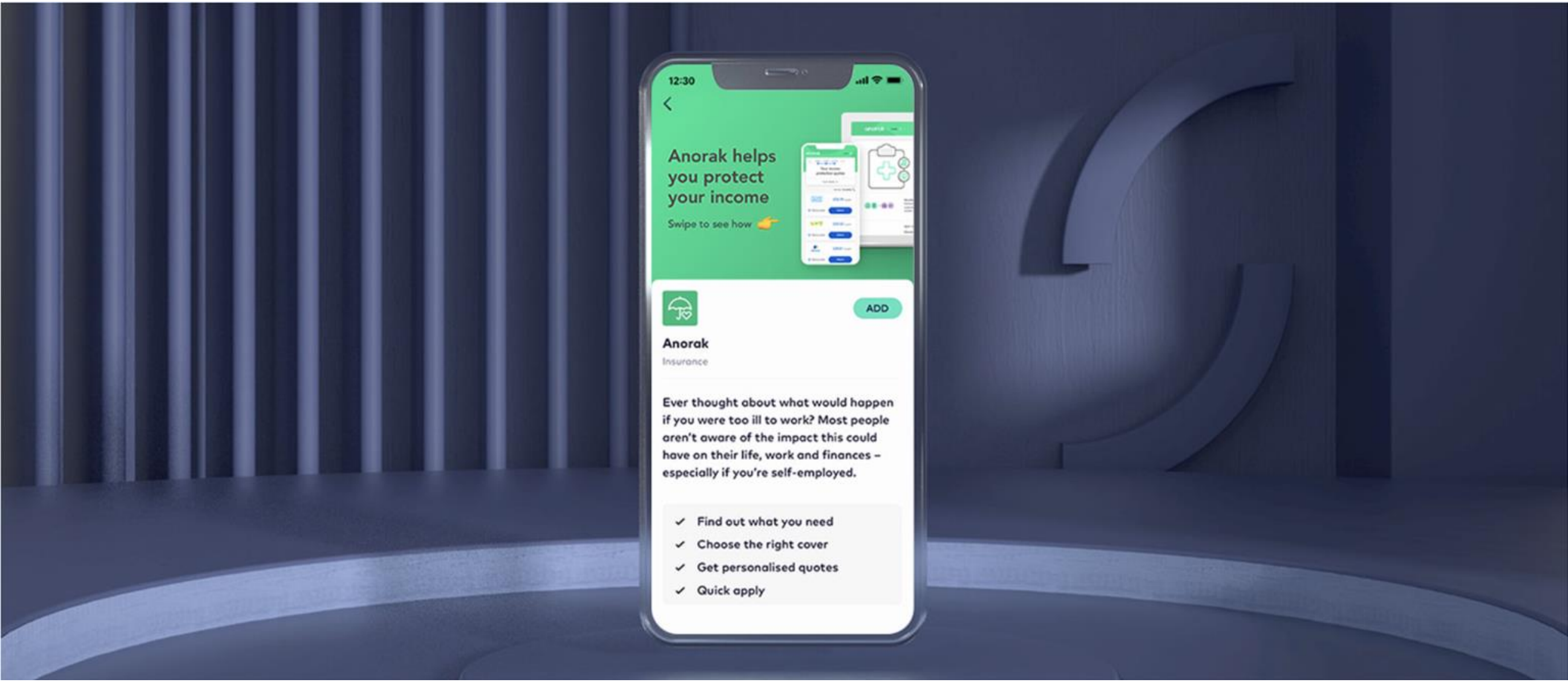
STARLING BANK

- Digital marketplace
- Exchange of bank data
- 2-way trust model
- Opportunity to review on ongoing basis
- Adviser support provided on telephone (Albany Park)

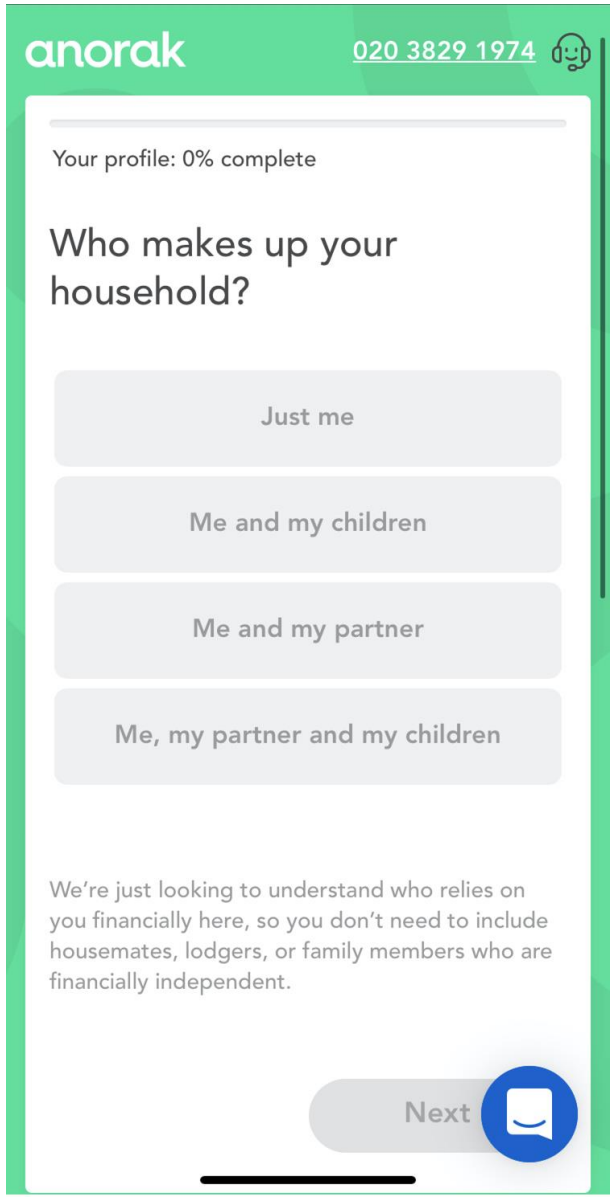
STARLING BANK

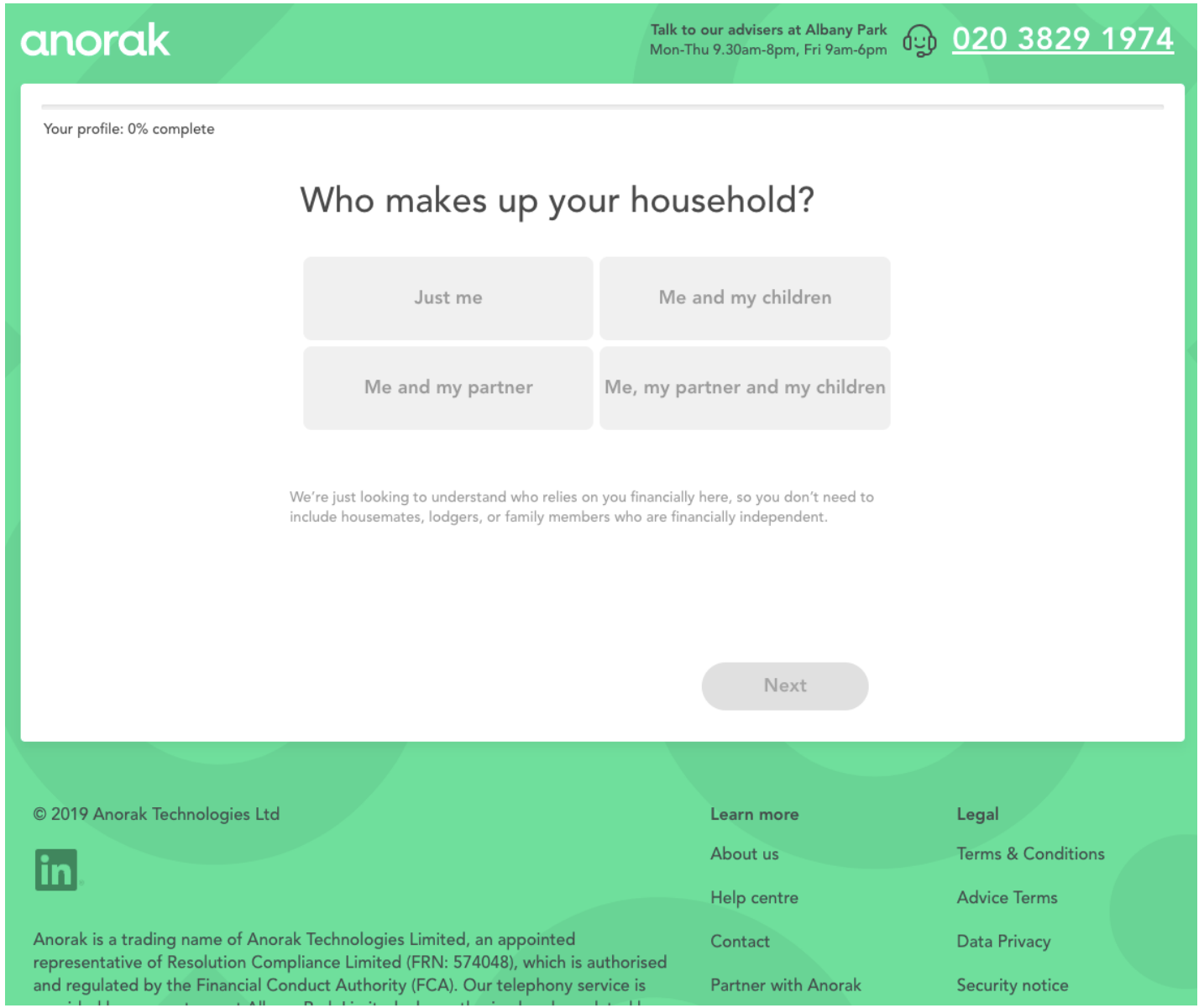
Reinventing Bancassurance 3.0 for life insurance

- In App Marketplace - personal and sole trader
- 2 Way data trust model established
- 1 time sign on process
- Customer profile created based on bank data and customer input


12:30
Anorak helps you protect your income
Swipe to see how
ADD
Anorak
Insurance
Ever thought about what would happen if you were too ill to work? Most people aren't aware of the impact this could have on their life, work and finances – especially if you're self-employed.
Find out what you need
Choose the right cover
Get personalised quotes
Quick apply

STARLING CUSTOMER ARRIVES AT THE SAME LANDING PAGE BUT WITH SOME QUESTIONS ANSWERED BY THE BANK DATA





	Bank Data	Mortgage Data
Name	👍	👍
DOB	👍	👍
Sex	👎	👎
Partner Name	👍	👍
Partner DOB	👍	👍
Partner Sex	👎	👎
How many children	👎	👍
Age of children	👎	👍
Childcare Costs	👍	👍
School Fees	👍	👍
University Fees	👍	👍

	Bank Data	Mortgage Data
Smoker Status	👎	👎
Employment Status	👎	👍
Occupation	👎	👍
Benefits from Employer	👎	👍
Other Personal Cover	👎	👍
Savings	👎	👎
Expenses	👍	👍
Property Ownership	👎	👍
Mortgage Amount	👍	👍
Rent Amount	👍	👍

- Bills and Subscriptions
- Communications
- Energy
    - Electricity
    - Gas
    - Household
- Groceries
    - Alcohol, tobacco & Narcotics
    - Food and non-alcoholic drinks
- Insurance
- Other
    - Essential
    - Non-Essential
- Recreation and Culture
- Holiday
- Other holiday expenses

    Other recreational activities
- Eating and drinking out
- Clothing
- Transport

THANK YOU

Any questions?

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July 2019

TISA
The Investing and Saving Alliance

John Salmon, Partner, Hogan Lovells

Hogan Lovells

ParalympicsGB

OFFICIAL PARTNER

Open Finance

The legal issues

John Salmon

Overview

- Compulsion vs non-compulsion
  - Pros & cons
  - Key legal issues
- Comparison between mandatory and voluntary contractual framework by reference to examples
- Secure access and communication
- Privacy
- Liability
- Authorisation and due diligence

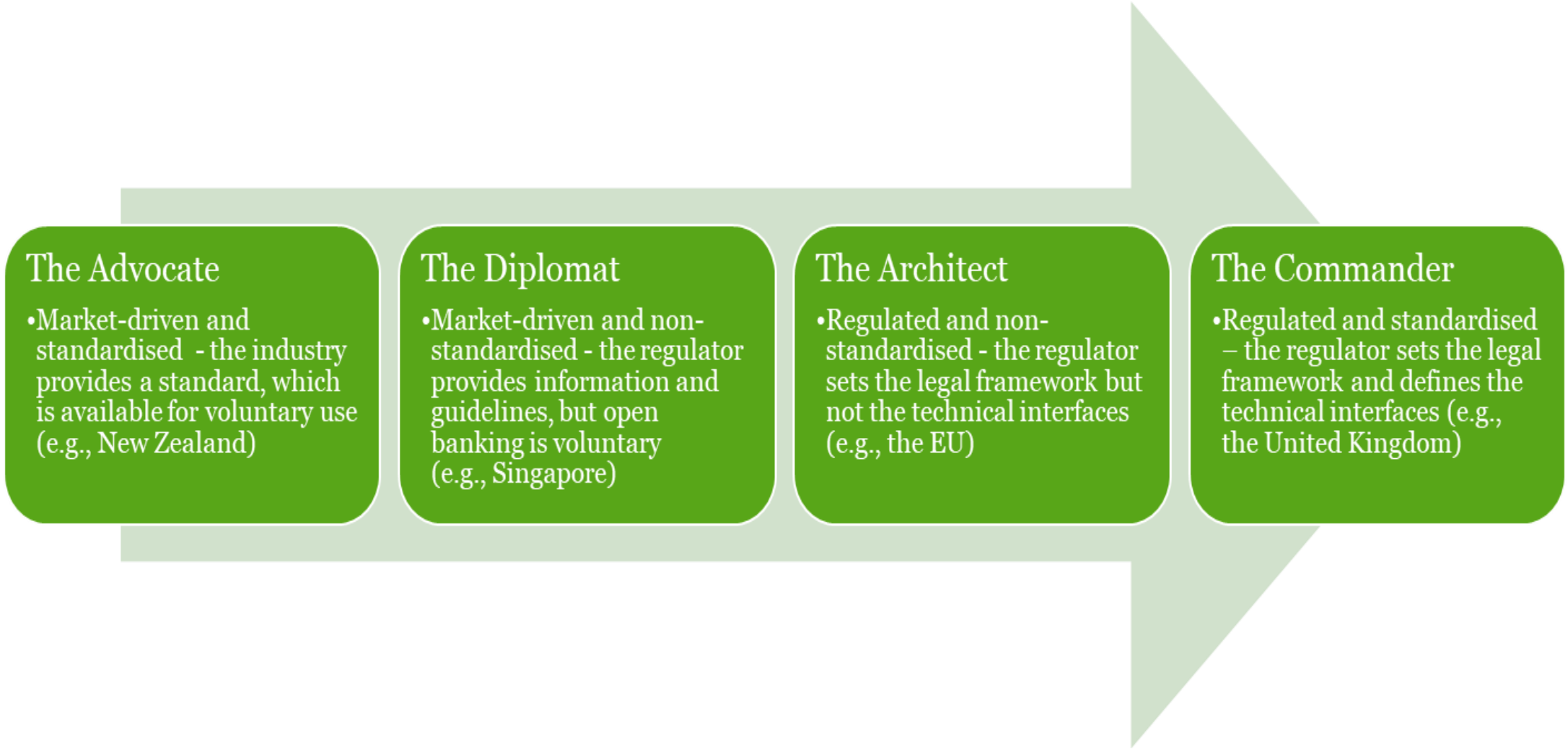
Compulsion vs non-compulsion

- Compulsion
  - Mandatory framework
  - Using mandatory open banking regimes in the UK and EU, namely Open Banking and PSD2, as a reference point
- Non-compulsion
  - Contractual framework
  - Such as the Open Savings & Investments (OS&I)
- What can we learn from:
  - Open Banking
  - Voluntary frameworks like TeX

Pros & cons

	Compulsion	Non-compulsion
Pros	• Clear uniform framework • Regulatory compulsion and consequences	• Industry has control • Much more flexible to change
Cons	• May not be so clear • Difficult to alter	• May not have uniform implementation • Voluntary nature

Different approaches to Open Banking



Ismail Chaib (November 2018), '*Regulating Open Banking - How regulators around the world are shaping the future of financial services*', Open Bank Project.

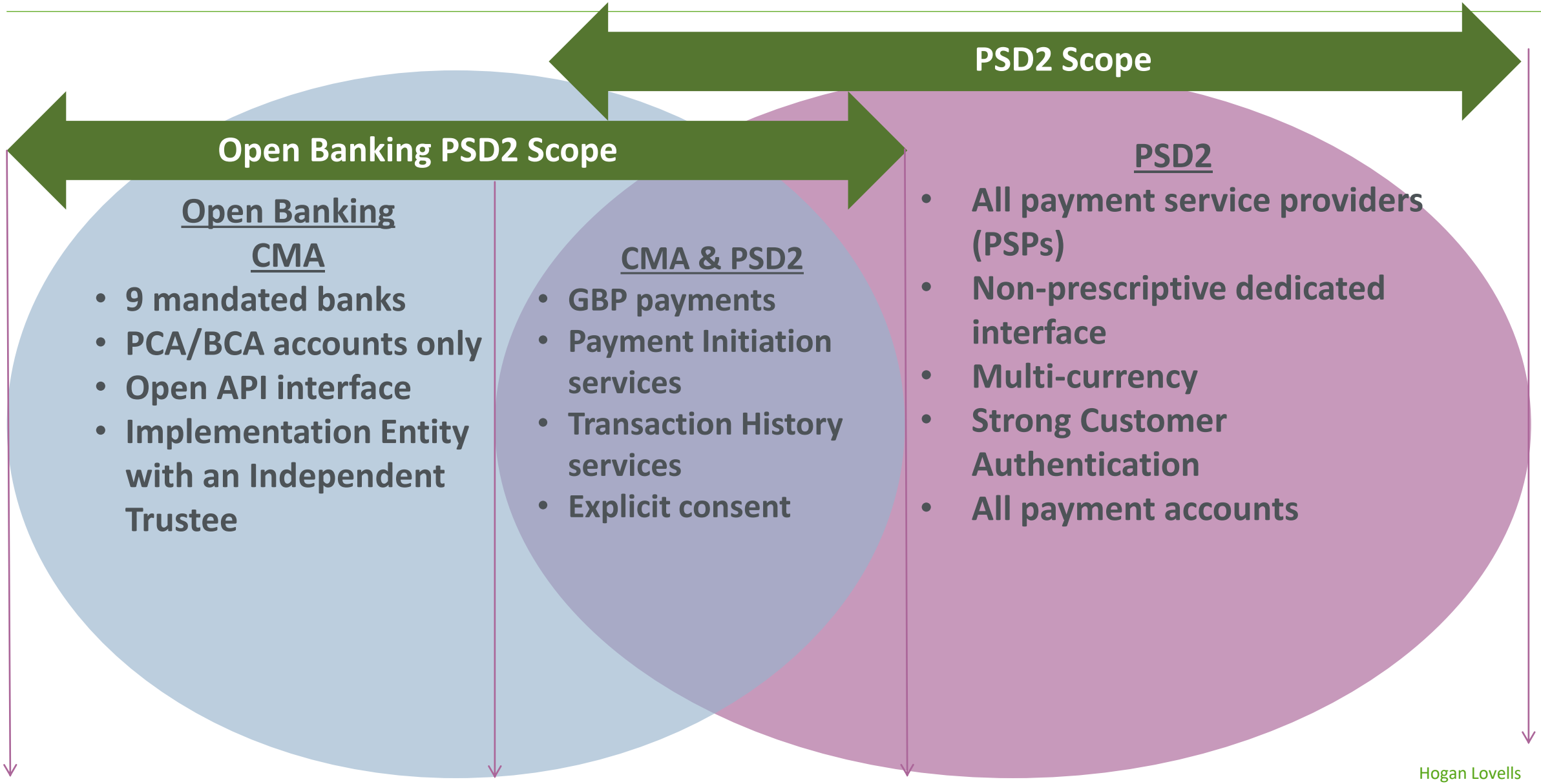
Key legal issues

Compulsion	Non-compulsion
• Coherent standard framework • Ensuring technology neutrality vs certainty • Privacy issues can be subsumed • Liability model can be provided • Authorisation/regulatory models for access – mandatory access? • Withdrawal of access set out clearly • Dispute resolution and customer redress mechanism	• Possibly different contractual models • Standard technology approaches that can be adapted as necessary • Privacy concerns • Difficulties of agreeing liability model • Difficulties of managing access issues for third parties – authorisation? • Difficulties of management withdrawal of access • Agreed dispute resolution process

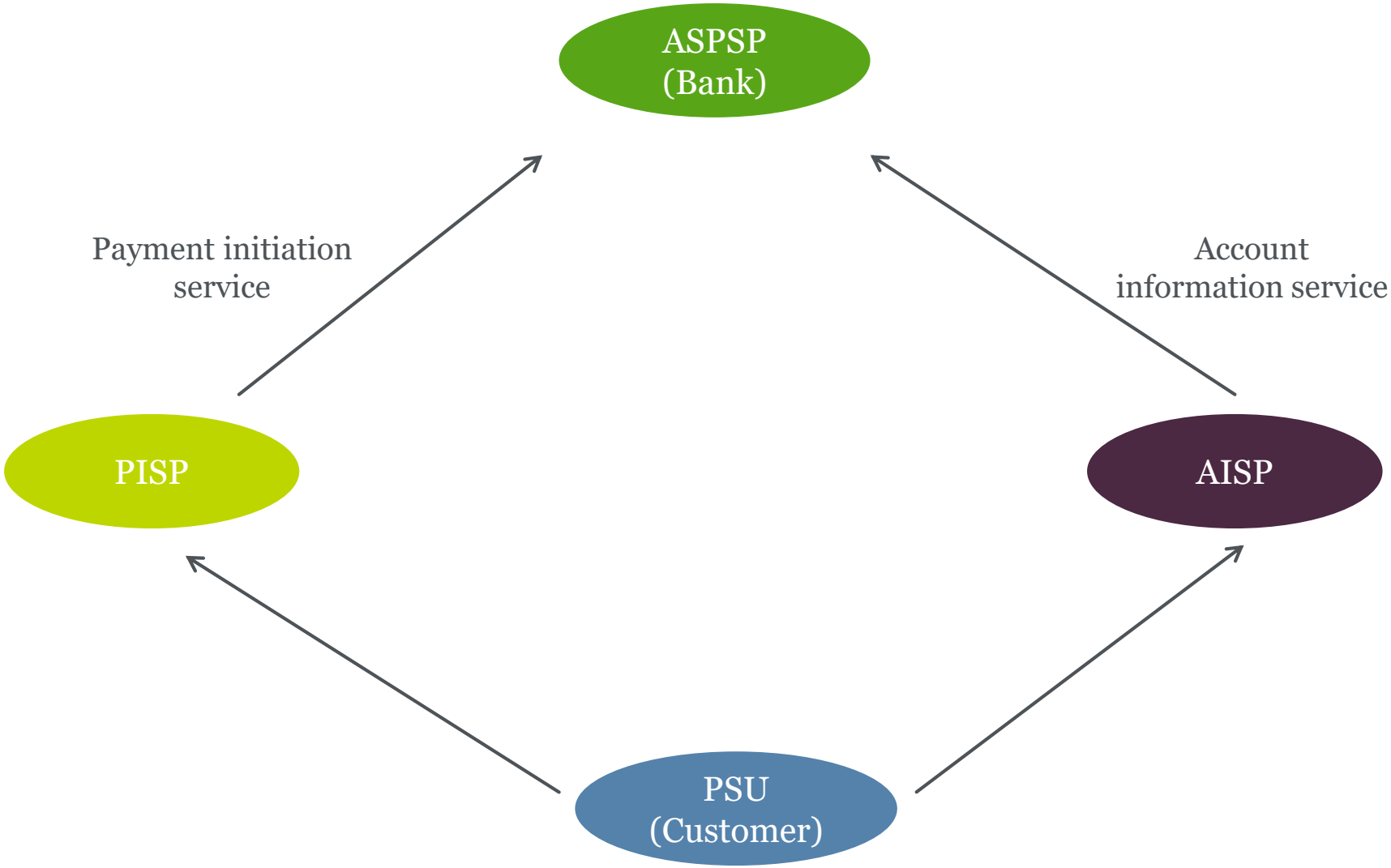
Compulsion

PSD2/Open Banking Model

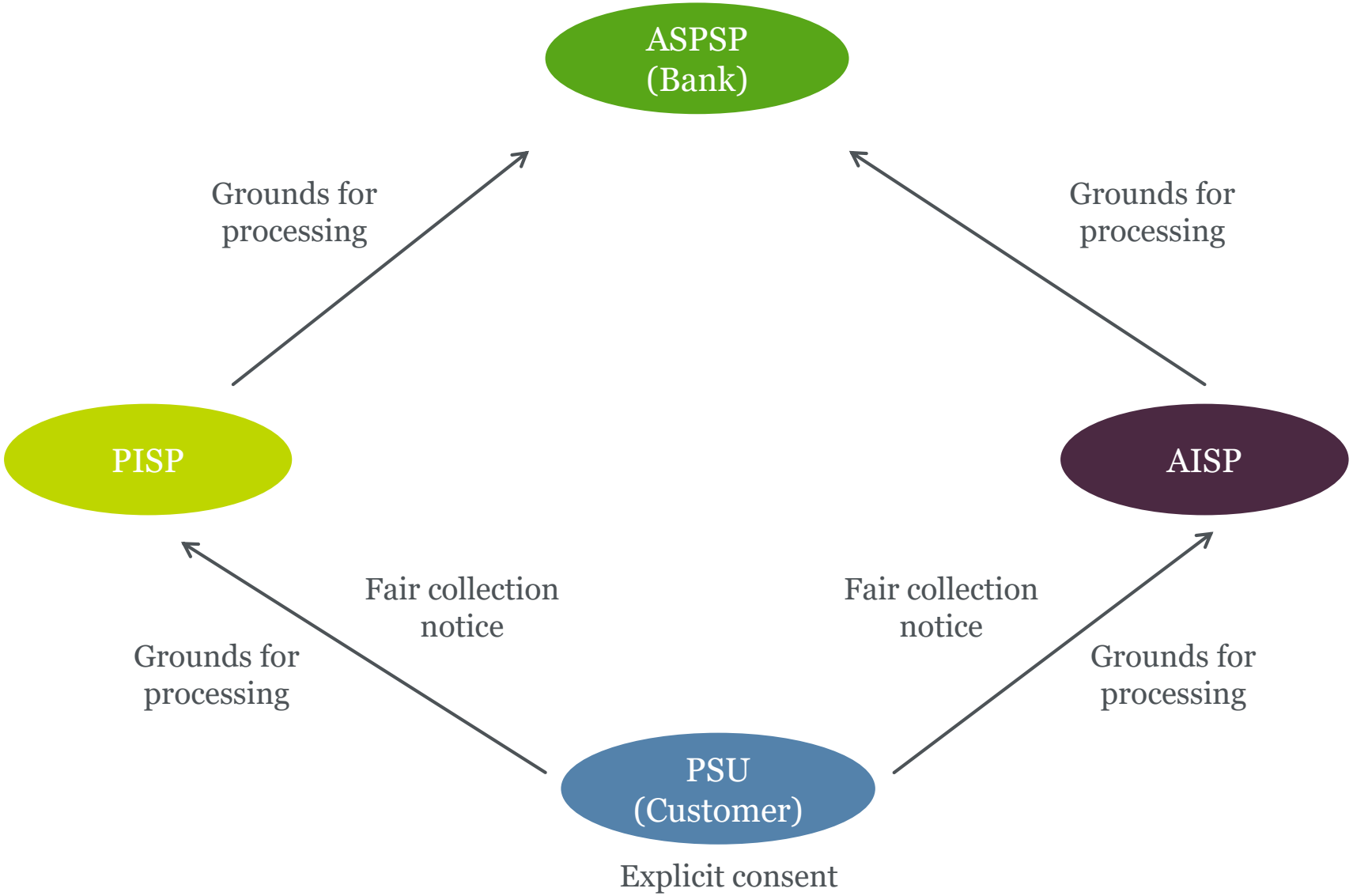
PSD2 vs Open Banking



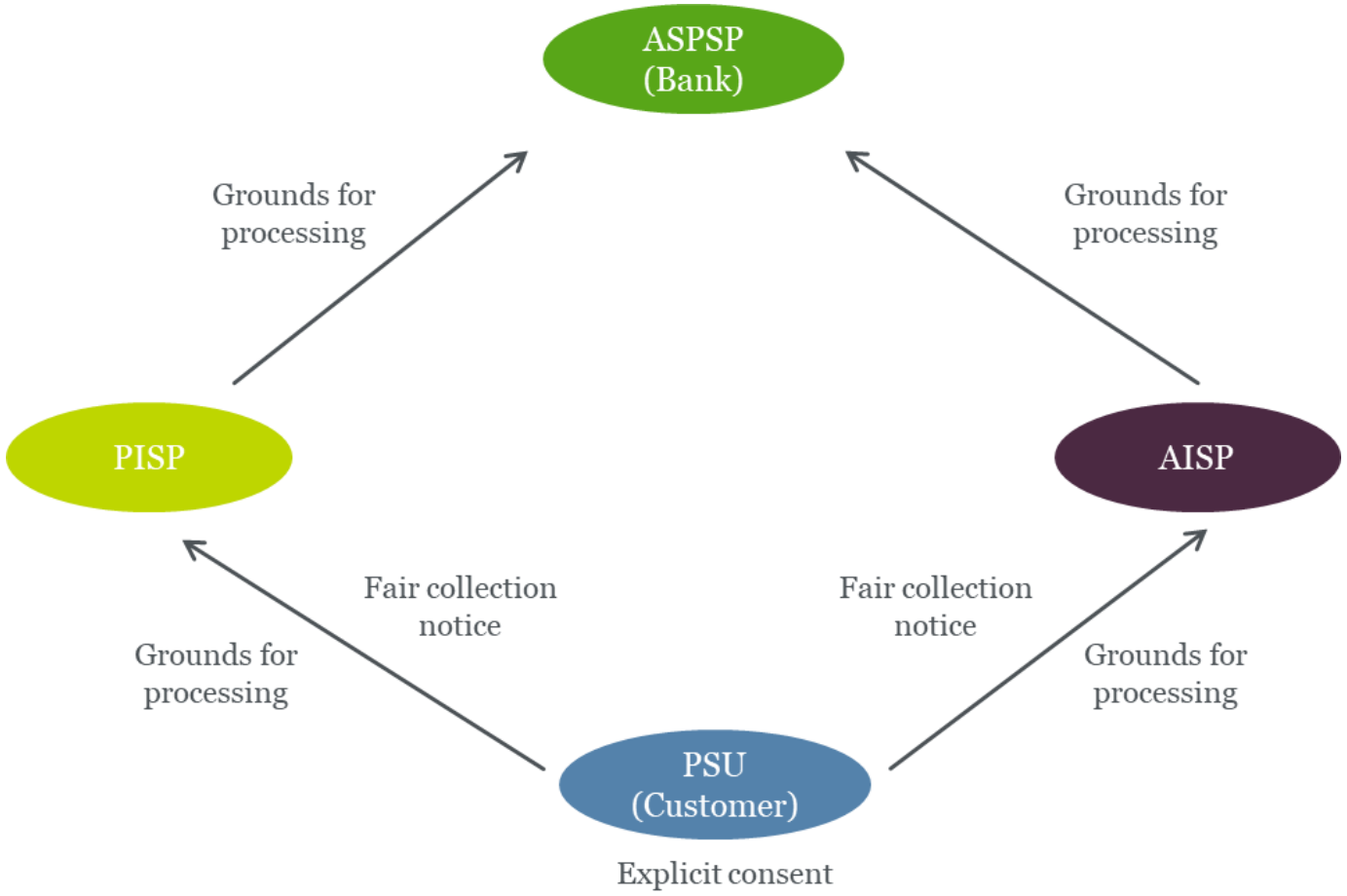
Compulsion – PSD2/Open Banking Model



Consent and privacy (1/2)

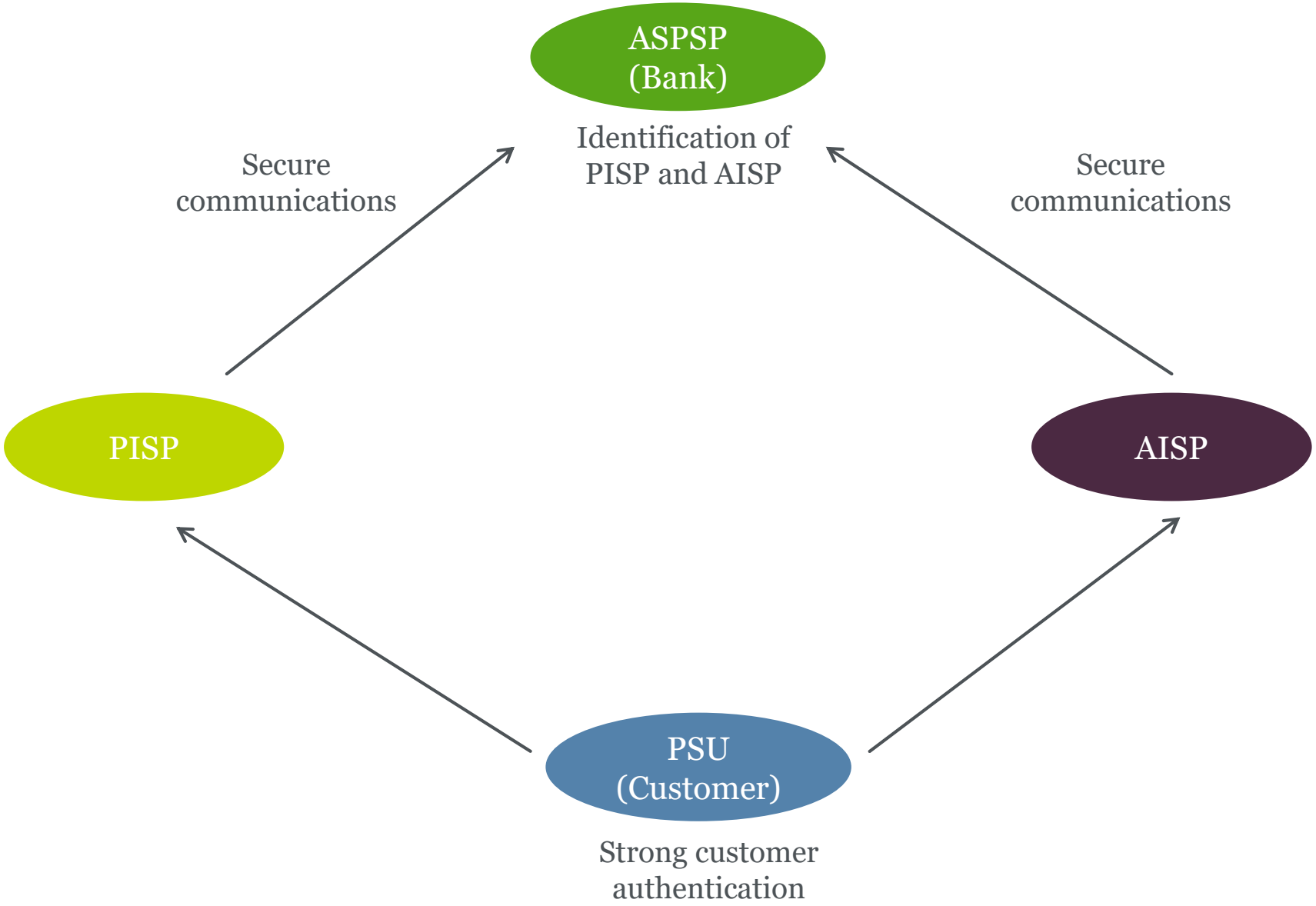


Consent and privacy (2/2)

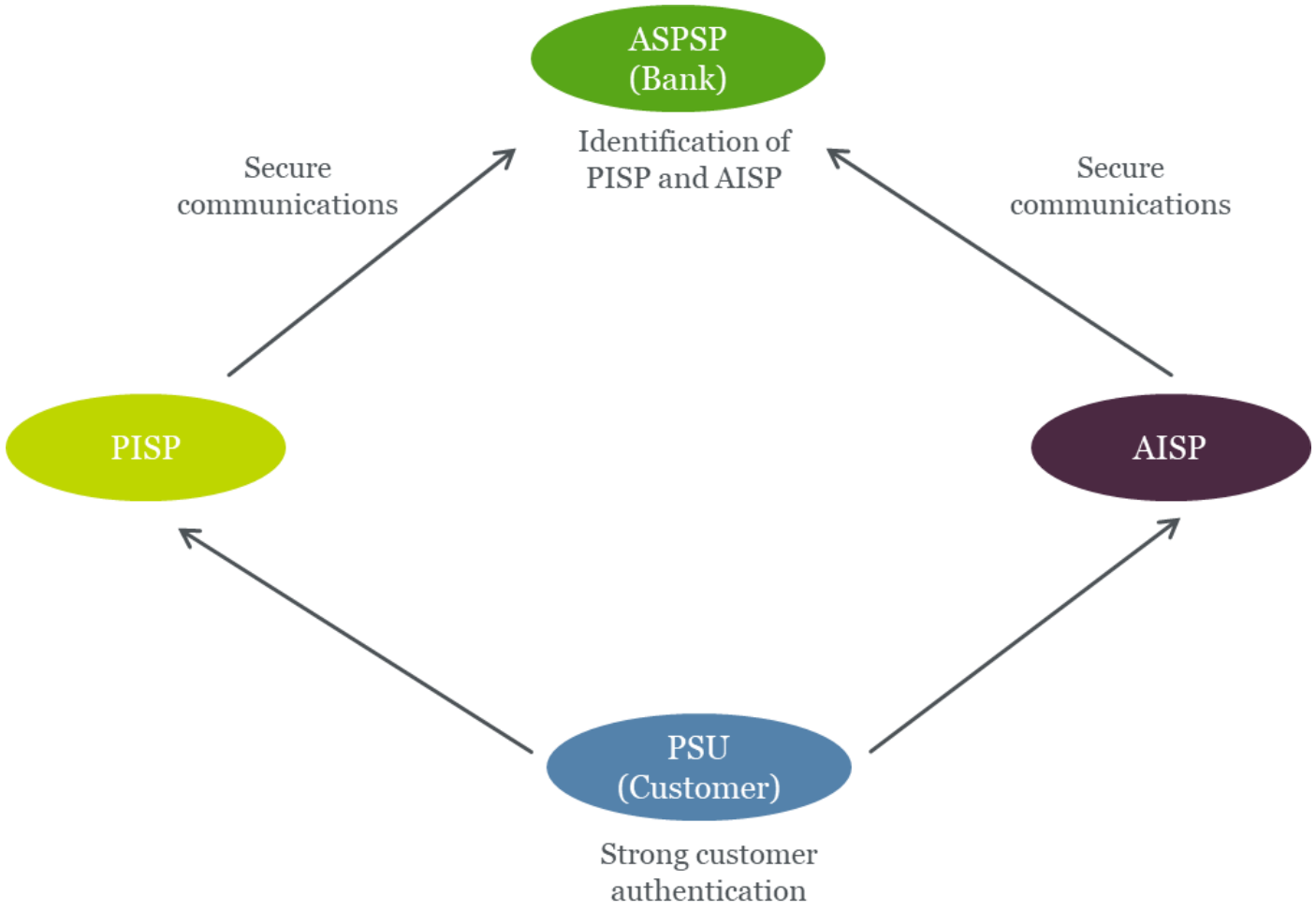


- Key Issues
  - Explicit consent under PSD2 is "contractual consent"
  - Under GDPR means any freely given, specific, informed, unambiguous – clear affirmative action
  - Grounds for processing
    - necessary for the performance of a contact
    - Legitimate interests – silent party data

Secure communications (1/2)

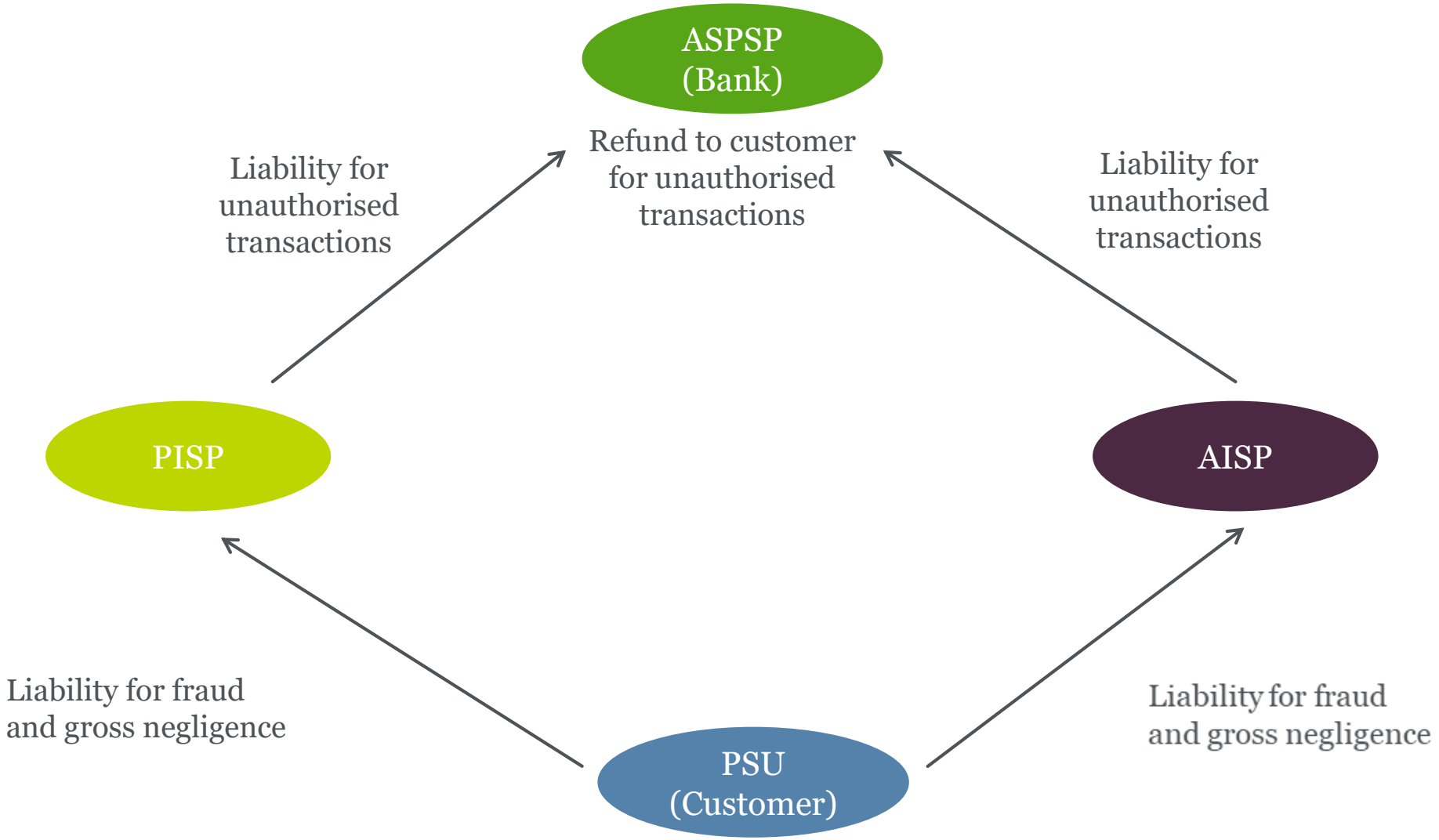


Secure communications (2/2)

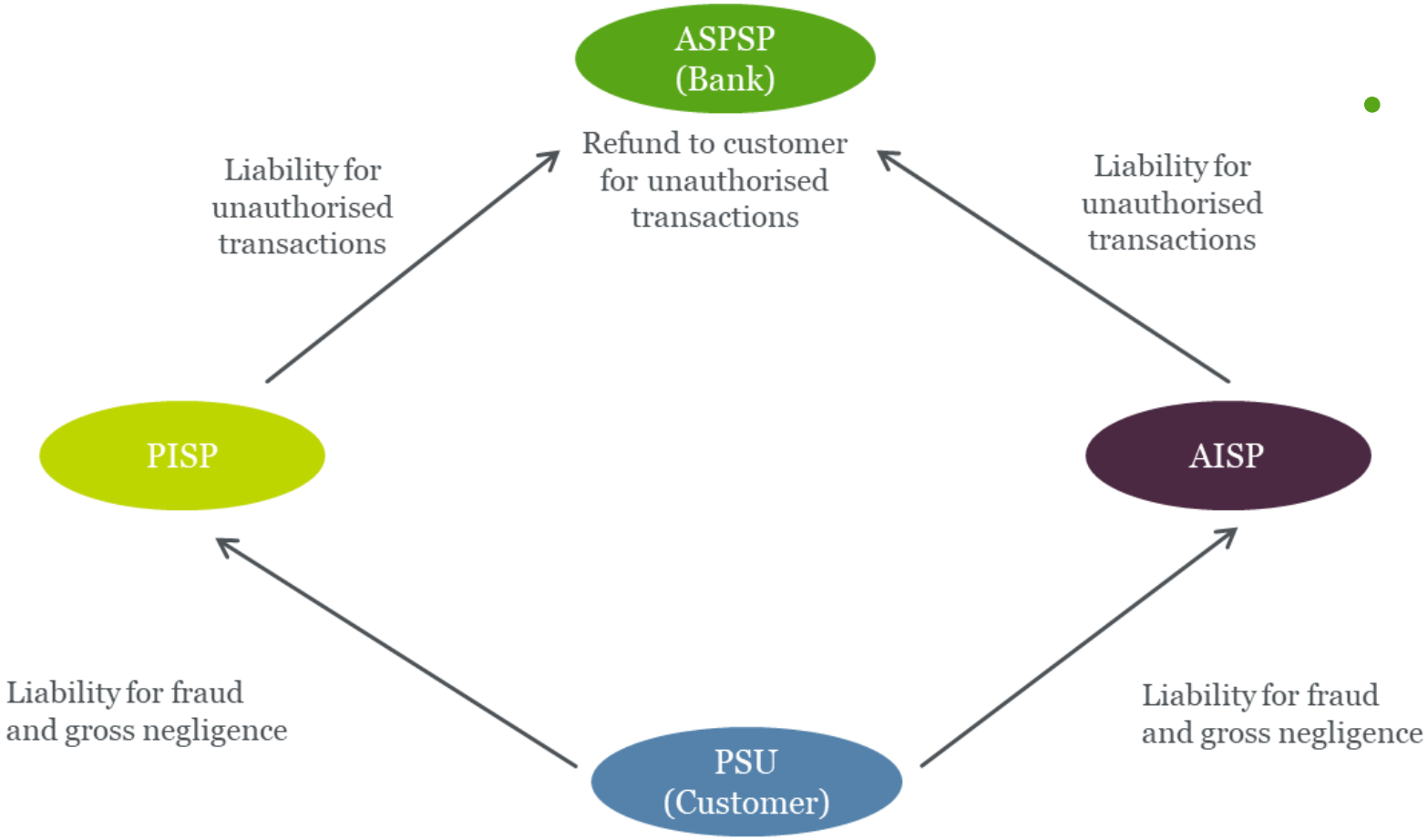


- Key Issues
  - Use of EiDAS Certificates
  - Secure communications between the parties
  - Strong customer authentication – demands 2 factor

Liability (1/2)

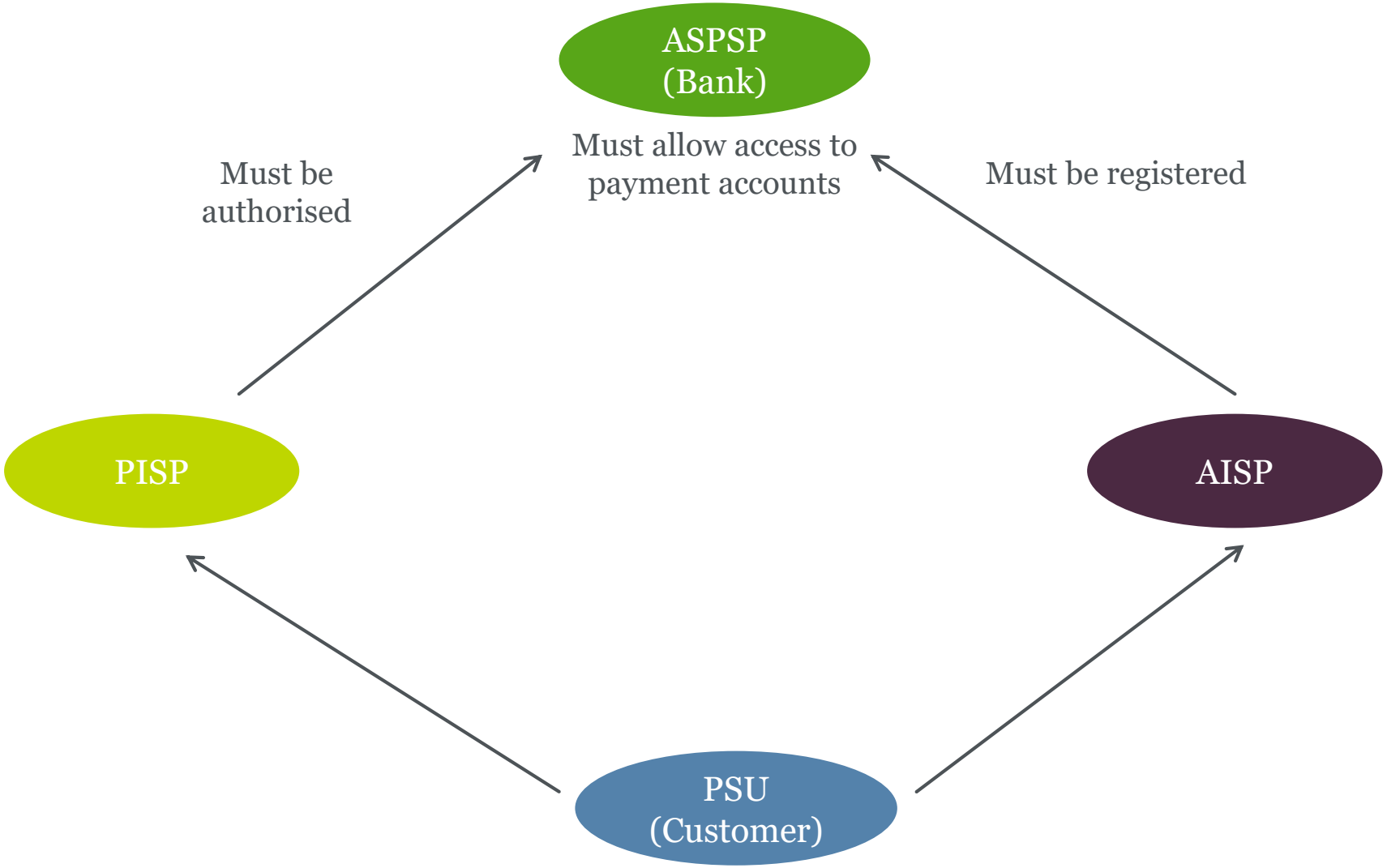


Liability (2/2)

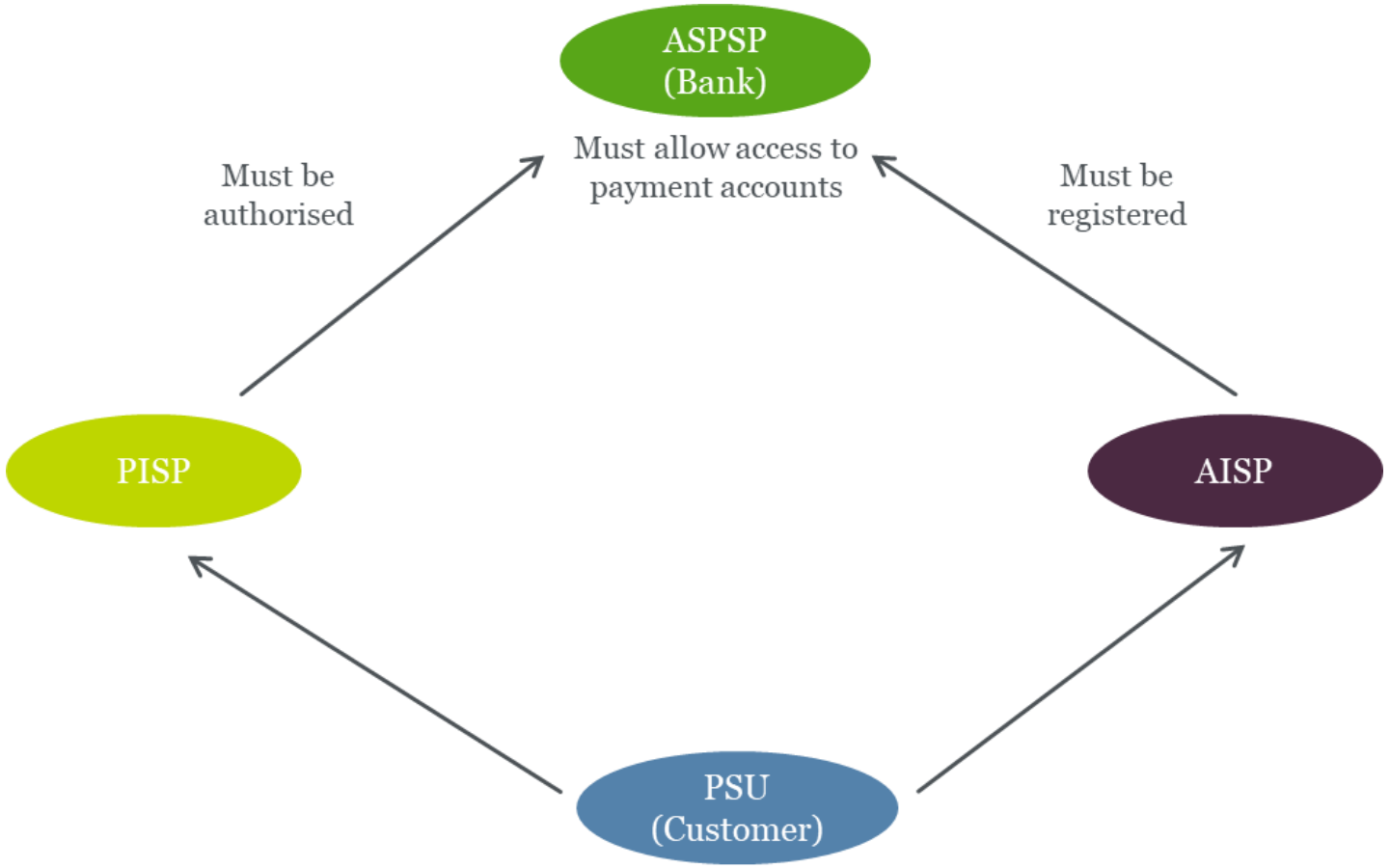


- Key Issues
  - Liability model is limited
  - Unauthorised transactions only
  - Difficult to see relevance to AISP model
  - Interaction with GDPR

Authorisation, due diligence and access (1/2)



Authorisation, due diligence and access (2/2)

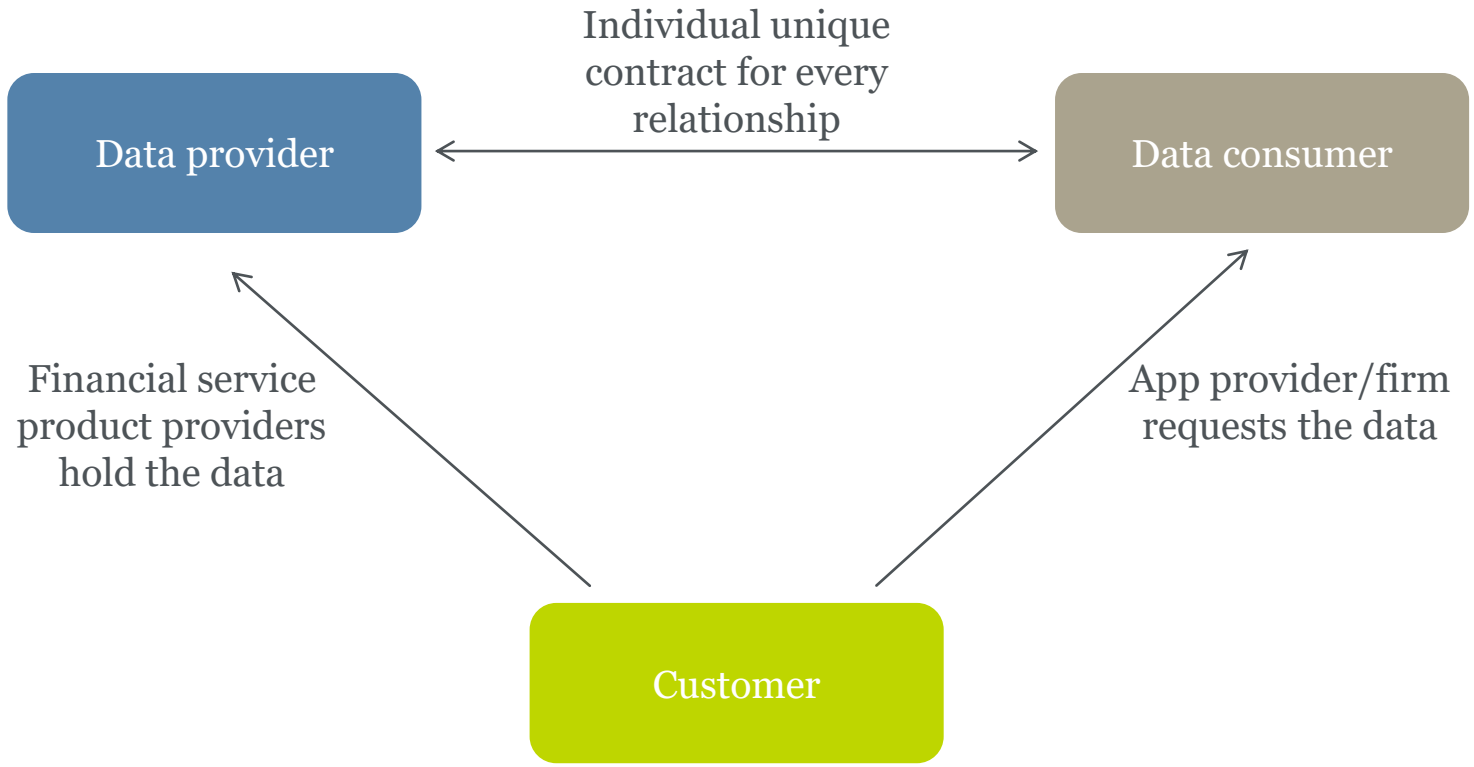


- Key Issues
  - Mandatory access for regulated TPPs
  - No due diligence permitted
  - No contracts permitted
  - Cannot refuse access unless justified reasons

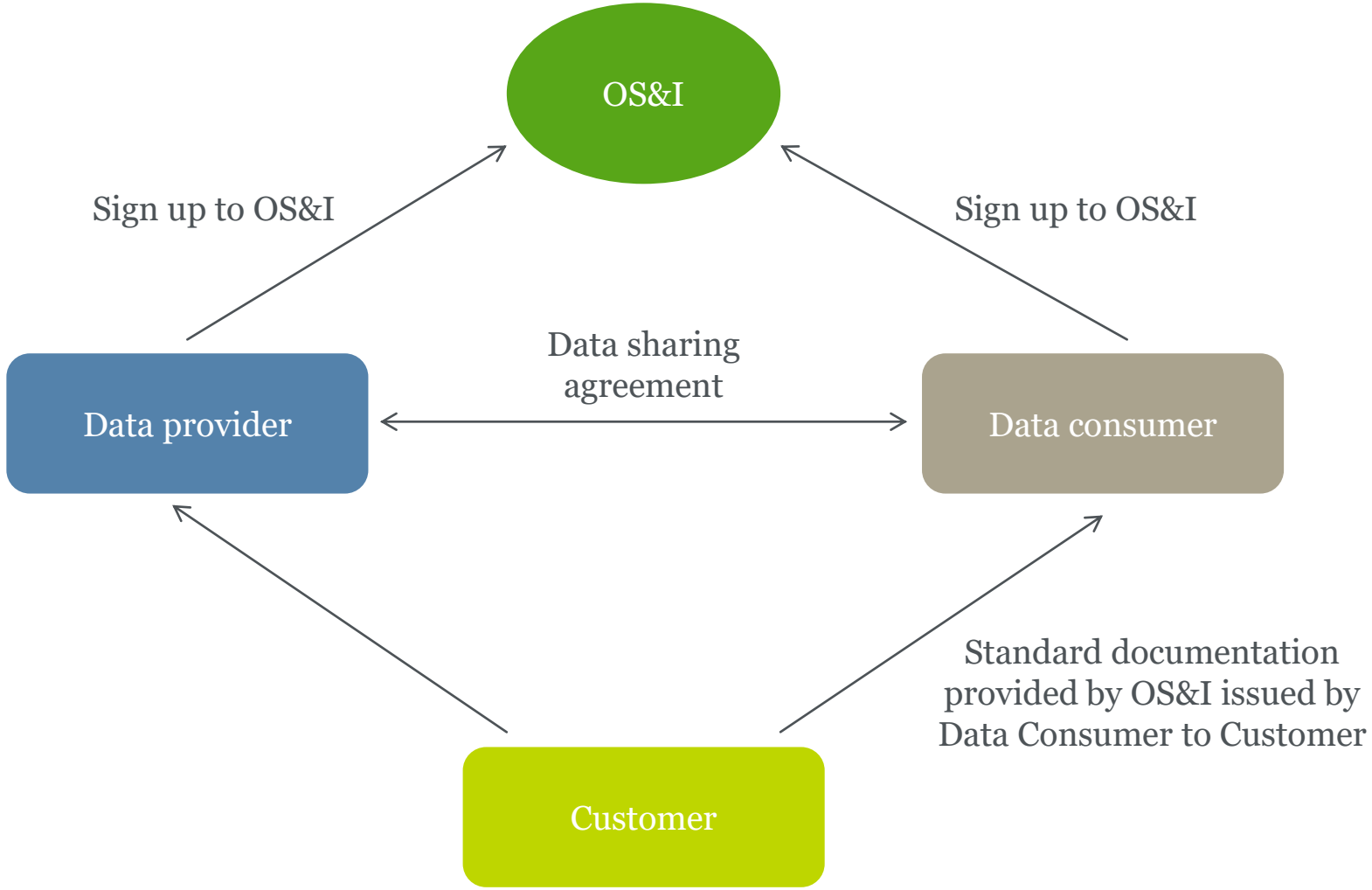
Non-compulsion

Contractual Model

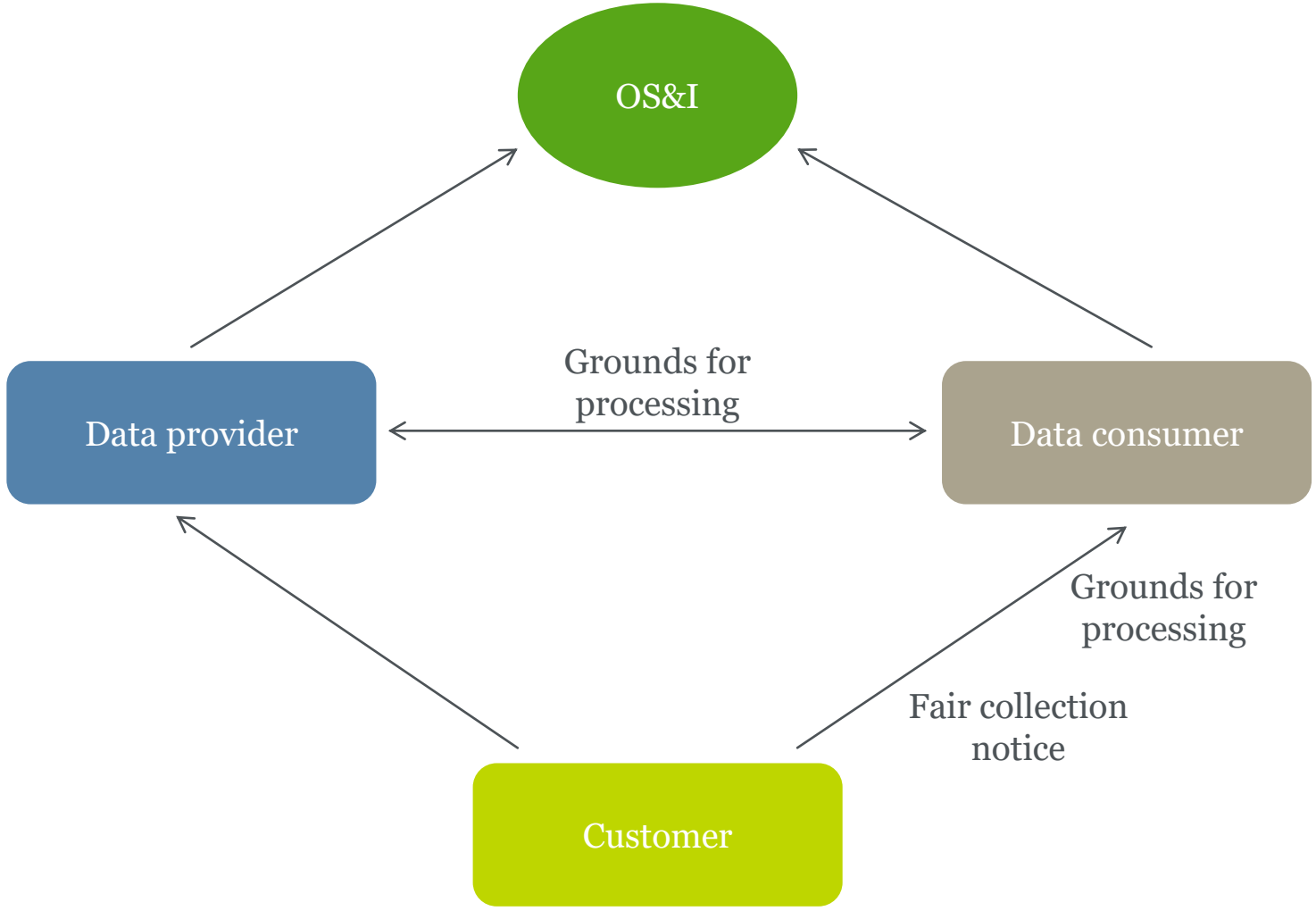
Savings and Investment – Current Situation



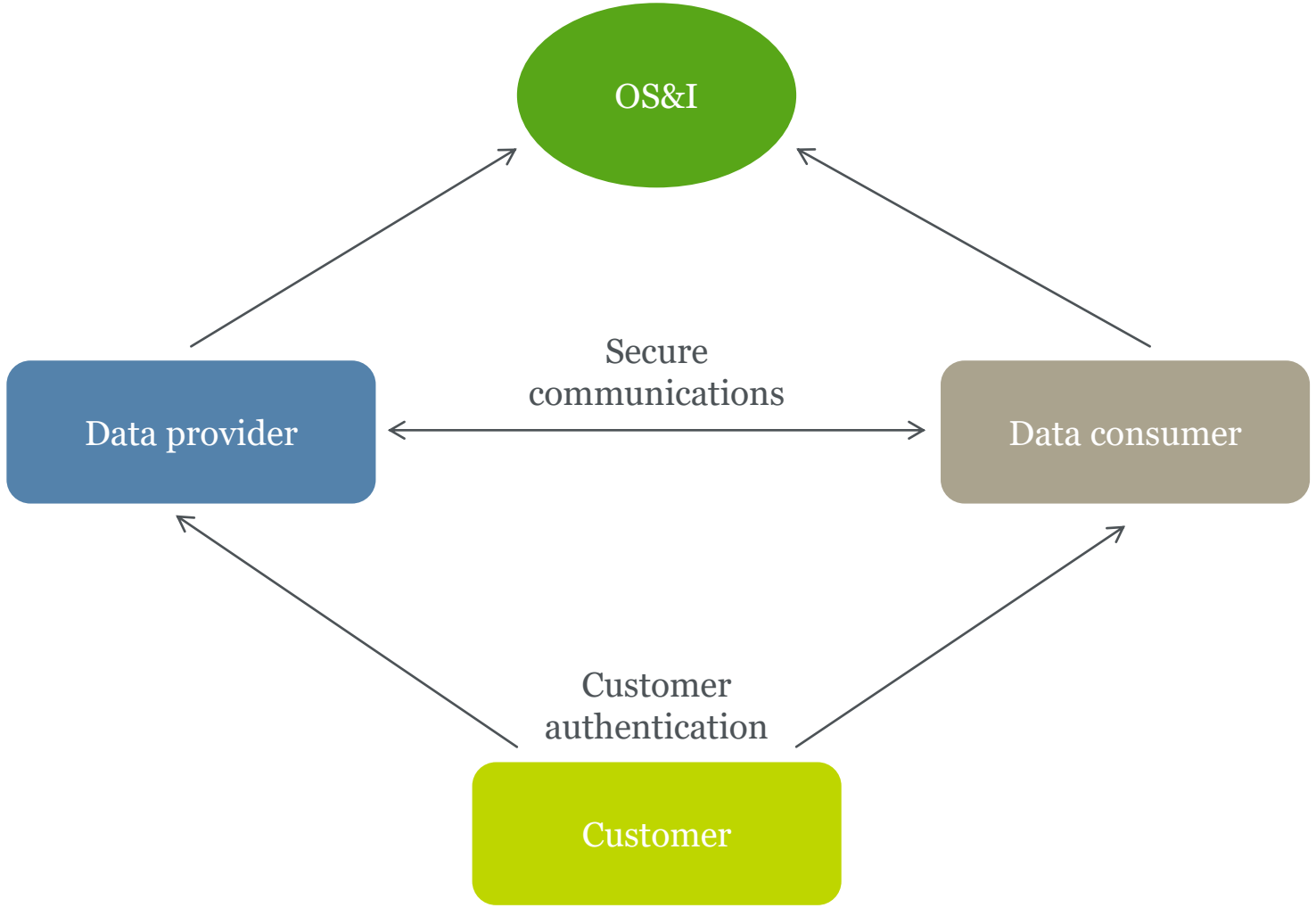
New contractual framework (Open Savings & Investment)



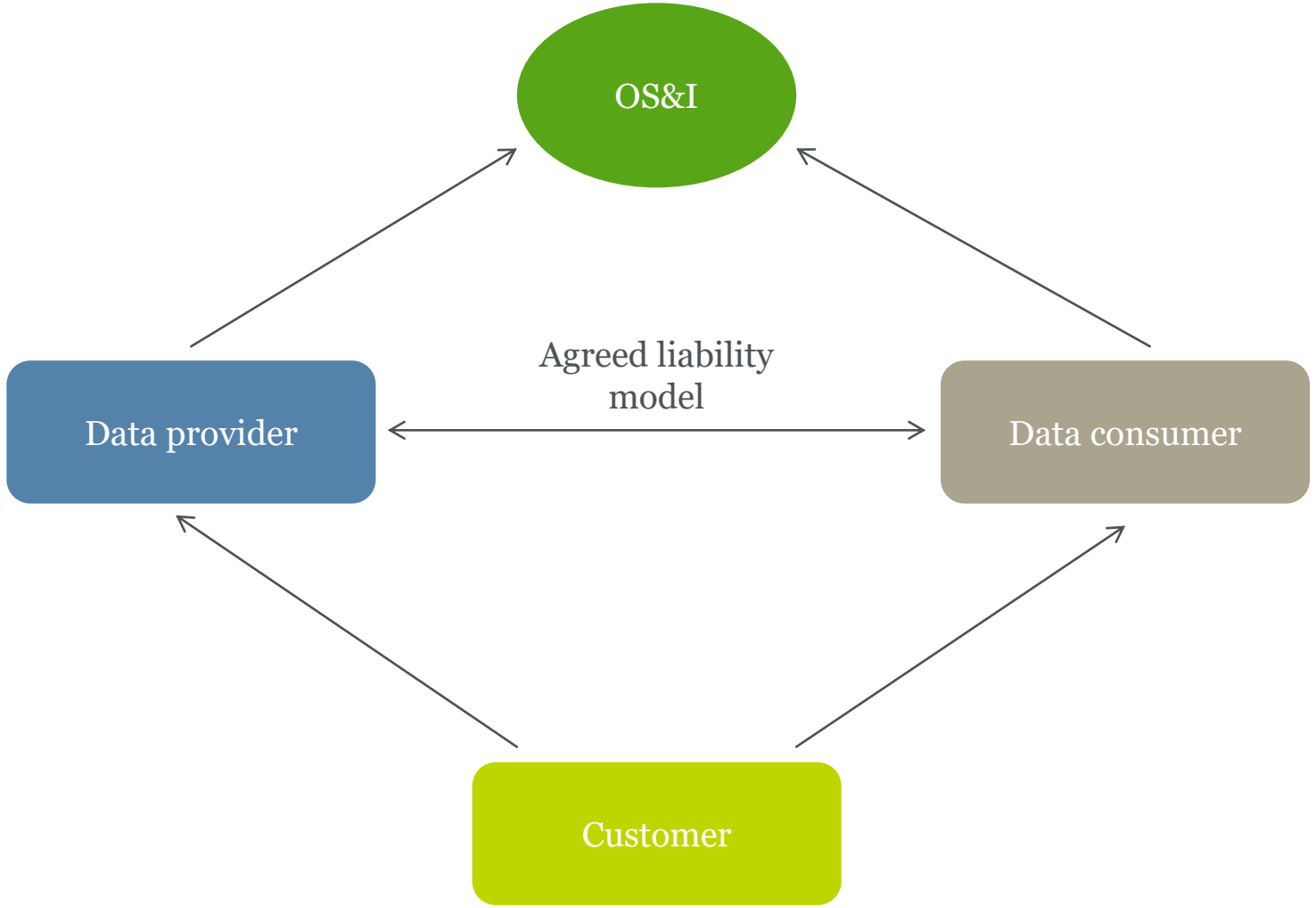
Consent and privacy



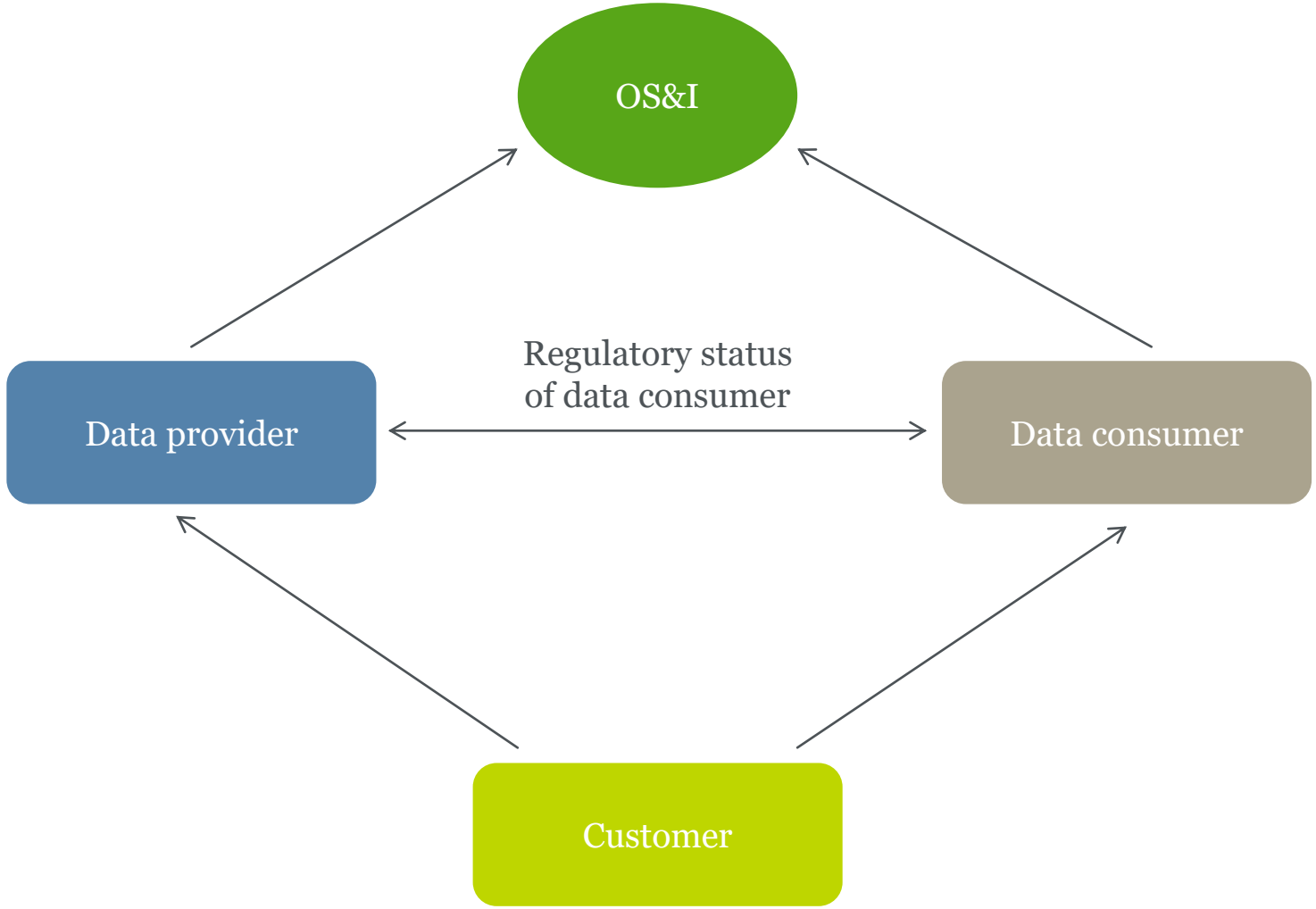
Secure communications



Liability


OS&I
Agreed liability model
Data provider
Data consumer
Customer

Authorisation and due diligence



Conclusions

- Key legal issues to be resolved
  - Privacy
  - Secure access
  - Liability model
- Key advantages of industry led approach

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