



## Participation in public consultation

The purpose of the consultation is to find out the public opinion about the introduction of the Open Banking measures in Lithuania. Current and future financial market participants, their organisations and other stakeholders are invited to participate.

The questions for public consultation are presented in separate sections of this document. Your opinion would be most valuable, if it is:

- **clearly worded and reasoned,**
- **if possible, illustrated by specific practical examples and supplemented by references to publicly available sources.**

Please send your comments and suggestions by e-mail: [openbanking@lb.lt](mailto:openbanking@lb.lt) or to the following address: Totorių g. 4, LT-01103 Vilnius, by **25 January 2019**.

### Processing the data of natural persons

The personal data of respondents received during the public consultation will be processed by the Bank of Lithuania in accordance with the Description of procedure for the processing of personal data received during public consultations in the Bank of Lithuania, approved by Order No V 2016/(1.7-260603)-02-108 of the Chairman of the Board of the Bank of Lithuania of 27 June 2016 on the approval of the description of procedure for the processing of personal data received during public consultations in the Bank of Lithuania.

The controller of the collected data shall be the Bank of Lithuania (legal entity code 188607684, Gedimino pr. 6, LT-01103 Vilnius).

Collected and processed personal data include: the name and surname of the respondent, contact details: phone number, address or e-mail, answers to the questions provided during the public consultation and any other data provided on discretion of the respondent.

After the consultation, the Bank of Lithuania will publish depersonalised comments received and can organise meetings with the selected respondents.

Having evaluated the opinions received, in the first quarter of 2019 the Bank of Lithuania will decide on the implementation of the Open Banking measures in Lithuania.

If you have any questions regarding the participation in the public consultation, please contact us by e-mail: [openbanking@lb.lt](mailto:openbanking@lb.lt).

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## Introduction

FinTech industry plays an increasingly important role in the provision of financial services. Emergence of innovative financial service providers and financial services ensures greater competition and diversity in the financial sector, which is beneficial to all users of financial services. Therefore, the Lithuanian authorities have already taken and intend to take further measures to ensure the development of FinTech industry in Lithuania and would allow Lithuania to become one of FinTech industry hubs in Europe<sup>1</sup>.

The Bank of Lithuania has a strategic direction laid down in the Operational Guidelines 2017-2020 to be a partner in promoting innovation and sustainable growth in the financial sector. Therefore, the Bank of Lithuania aims at identifying and adopting the measures to promote competition and advanced innovation in the field of finance.

Open Banking is identified as one of the financial measures to promote innovations and has already been implemented in the United Kingdom, Singapore and is also being considered by some other countries (Australia, Japan, Canada, Mexico, Hong Kong, etc.) (for more information refer to Section 2). At present, the Bank of Lithuania is considering the implementation of Open Banking measures which are beyond the scope of the Payment Services Directive (hereinafter - PSD2), in the Lithuanian financial market.

Open Banking is an emerging term in the area of financial services as part of financial technologies and refers to the use of the application programming interfaces to build applications and create new services for financial market participants based on the data of financial institutions.

This document presents an overview of different Open Banking initiatives and measures which are beyond the scope of PSD2, for the purpose of finding out the opinion of current and future financial market participants and other stakeholders about the need for such measures in Lithuania.

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<sup>1</sup> Order No 1K-185 of the Minister of Finance of the Republic of Lithuania of 8 May 2017 on the development of financial technology (FINTECH) industry in Lithuania; <https://www.e-tar.lt/portal/lt/legalAct/a0dce77036e211e78397ae072f58c508>.

# 1. Open Banking concept, principles and examples

## CONCEPT

Open Banking is an emerging term in the area of financial services as part of financial technologies that refers to the use of the application programming interfaces (hereinafter – APIs) to build applications and create new services for financial market participants based on data of financial institutions. Open Banking is intended to make it easier for providers to offer different and innovative services, which give consumers more choice and more control over their money and financial information. It results in more confidence in the use and value of their data. It gives customers a right to direct the data they already share with their bank to be safely shared with third parties they trust.<sup>2</sup> All of this can be achieved by requiring banks to make certain information accessible to other approved companies in a standardised, straightforward and secure way with customer explicit consent.<sup>3</sup>

## PRINCIPLES

According to Australia's Review into Open Banking, there are four main principles which describe who Open Banking should be for, why it should be done, what it should do and how it should be achieved:

1. Open Banking should be customer focused. It should be for the customer, be about the customer, and be seen from the **customer's perspective**.
2. Open Banking should **encourage competition**. It should be done to increase competition for the banking products and services available to customers so that customers can make **better choices**.
3. Open Banking should **create opportunities**. It should provide a framework on which new ideas and business can emerge and grow, establishing a vibrant and creative **data industry**.
4. Open Banking should be **efficient and fair**. It should be effected with security and privacy in mind, so that it is sustainable and fair, without being more complex or costly than needed.<sup>4</sup>

## EXAMPLES

In the first instance, Open Banking makes it easier for consumers to compare the details of commercial products and other banking services and provide information about ATMs and branches. Using the Open Banking technology and standards companies will be able to develop new online and mobile applications over time. These applications enable consumers, including small businesses, to share their banking information securely with other banks and regulated companies.

**For private customers, these applications include:**

- Personal finance management – showing where money is spent and where it comes from. Usually these tools help analyse fixed payments and identify where money can be saved or spent. Similar services are provided by Clear Score Technology Limited and Yolt application.
- A single view of all your accounts in one place. For instance, Bud Financial Limited brings together data from multiple banks via its proprietary aggregation technology.
- Debt management tools – overdraft alerts and recommendations for better products that help choose lower interest rates or lower overdraft charges. Similar services are offered by Emma Technologies LTD which help avoid overdrafts, find and cancel subscriptions, track debt and save money.

**For businesses, these applications include:**

- Tools to help handle companies accounts. For instance, Ecospend Technologies Limited provides finance management app which unifies all different bank accounts and credit cards on one platform.
- Cash flow management tools that help companies choose lower interest rates or lower overdraft charges.
- Tools to help businesses get better loan terms, etc.<sup>5</sup> For example, Funding Options Ltd helps businesses find the right finance for their situation from dozens of the UK's best lenders, across all types of funding.

<sup>2</sup> <https://static.treasury.gov.au/uploads/sites/1/2018/02/Review-into-Open-Banking-For-web-1.pdf>

<sup>3</sup> <https://www.openbanking.org.uk/wp-content/uploads/2017/12/OB-Consumer-Guide-Stage-H.pdf>

<sup>4</sup> <https://static.treasury.gov.au/uploads/sites/1/2018/02/Review-into-Open-Banking-For-web-1.pdf>

<sup>5</sup> <https://www.openbanking.org.uk/wp-content/uploads/What-Is-Open-Banking-Guide.pdf>

The above referred and other selected examples of the UK Open Banking regulated providers may be explored in Annex 1.

Q1

What are the **main benefits** of Open Banking for your company/organisation? Do you find it useful for the development of new products or services?

## 2. Worldwide Open Banking initiatives

Open Banking is an emerging concept, but there are more than 10 jurisdictions that already have implemented or announced about the plans to implement Open Banking in their countries.

In the **European Union**, the PSD2 regulates banks by offering the framework to enable authorised third party providers access to account information and payment initiation services. However, the framework does not define a single standard for achieving this. There are different API standardisation groups across Europe working towards harmonisation of the PSD2 API standard: the Berlin Group, PolishAPI, STET. The Berlin Group is the leading API standardisation group which unites almost 40 banks, associations and payment service providers. Majority of banks in Lithuania have also decided to develop the PSD2 API in accordance with the Berlin Group standard that will enable access to customer data for all participants.

In 2016, the Competition and Markets Authority of the **United Kingdom**, published its final report on the investigation into the UK Retail Banking Market and ordered to deliver the Open Banking standard as a measure to increase the opportunity for competition. For this purpose, the Open Banking Implementation Entity (hereinafter – the OBIE) was set up. It regulates 9 largest UK current accounts providers to open-up data using APIs. The OBIE has created security and messaging standards, produced guidelines for participants in the Open Banking ecosystem and set out the process for managing disputes and complaints<sup>6</sup>. The UK Open Banking API scope is larger than that of the PSD2 and includes the Open data APIs (for more detailed information refer to Section 3). This is estimated to contribute to the UK economy more than GBP 7.2 billion by 2022<sup>7</sup>.

Another Open banking initiative in Europe is introduced by the **Switzerland**. The Swiss Open Finance API (hereinafter – the SOFA) project aims to create a common API and a standard for the Swiss financial services industry. In contrast with the PSD2 and the UK Open Banking initiatives the SOFA may not be enforced by regulation which means that banks will not be required to open-up for all third-party providers<sup>8</sup>.

The Monetary Authority of **Singapore** (hereinafter – the MAS) is focused on a commercially rather than regulatory driven approach to Open Banking. The MAS together with the Association of Banks in Singapore have developed the financial industry API playbook that identifies common and useful APIs for the industry and cross-sectoral stakeholders. The playbook also details the guidance on information security standards and governance models for financial institutions and FinTech players<sup>9</sup>. Also, MAS is working on APIs development and has already issued 42 regulatory APIs which include domestic interest rates, exchange rates, monthly statistical bulletin information.

The Government of **Australia** has announced about the implementation of Open Banking in their country. It is based on the Consumer Data Right and banking data – this sector will be the first in which the right will be established<sup>10</sup>. Australia's four largest banks will have to develop APIs for credit and debit cards, deposit and transaction accounts by 1 July 2019 and for mortgages – by 1 February 2020. Data on personal loans and all other products will be available by 1 July 2020. All remaining banks will be required to implement Open Banking with a 12-month delay on timelines compared to the major banks<sup>11</sup>.

<sup>6</sup> <https://www.openbanking.org.uk>

<sup>7</sup> [https://www.thepayers.com/e-invoicing-scf-e-procurement/uk-open-banking-sector-worth-gbp-7-2-bln-by-2022-pwc-study-shows/773802-24?utm\\_campaign=20180702-automatic-newsletter&utm\\_medium=email&utm\\_source=newsletter&utm\\_content=](https://www.thepayers.com/e-invoicing-scf-e-procurement/uk-open-banking-sector-worth-gbp-7-2-bln-by-2022-pwc-study-shows/773802-24?utm_campaign=20180702-automatic-newsletter&utm_medium=email&utm_source=newsletter&utm_content=)

<sup>8</sup> <https://www.swissbanking.org/en/services/insight/insight-4.17/open-banking-yes-2013-but-with-no-obligation>

<sup>9</sup> <http://www.mas.gov.sg>

<sup>10</sup> <https://treasury.gov.au/consultation/c2018-t247313/>

<sup>11</sup> <https://treasury.gov.au/publication/p2018-t286983/>

The Monetary Authority of **Hong Kong** published its Open API framework in July 2018 with a four phases Open APIs implementation timeline and a wide set of retail banking products<sup>12</sup>. The Government of **Japan** announced policies for collaboration between banks and third party providers in May 2017, expecting more than 80 banks to open their APIs by 2020. **Malaysia** has also joined the list of countries with Open Banking initiatives with the creation of a working group for open APIs. **New Zealand** banks and FinTechs are working on common API standards and a shared API framework. In March 2018, the industry commenced a pilot to test two API standards.<sup>13</sup>

In March 2018, **Mexico** passed the Law on FinTech which requires financial institutions to establish APIs to allow connectivity and access to user open financial, aggregate and transactional data. APIs will have to be developed in accordance with the Open Banking standard which should be published in less than 24 months after publication of the Law on FinTech. In September 2018, **Canada** launched the Advisory Committee on Open Banking implementation. The Committee will release the consultation paper and the report assessing the potential merits of Open Banking for Canada<sup>14</sup>.

### 3. Implementation of Open Banking in Lithuania

Currently, financial market participants in Lithuania are preparing for the PSD2 requirements. According to the Regulatory Technical Standards (hereinafter – the RTS) the final deadline for having the PSD2 open API ready is 14 September 2019. Nevertheless, majority of market participants are planning to have their PSD2 APIs prepared sooner and one of the largest Baltic commercial banks announced that it has already developed the PSD2 API which can be tested in the bank’s sandbox environment<sup>15</sup>.

<b>Q2</b>	Do you consider developing, in the nearest years, the APIs or Open Banking services that are not required under the PSD2? Can you provide any example?
<b>Q3</b>	What are the main barriers in developing new APIs or Open Banking services for your organisation?

The Bank of Lithuania sees merits of Open Banking in fostering competition and innovations in the financial market and is analysing other countries initiatives beyond the PSD2 requirements. Therefore, the Bank of Lithuania proposes **4 measures** to support the Open Banking implementation in Lithuania:

1. **The financial sector API register** – the aim of the API register will be to serve as the initial landing site for Open APIs available in the Lithuanian financial industry. At the same time, it will help promote APIs developed by financial market participants and provide links to their API Developer Portals. It will be updated on an ongoing basis after financial institutions make available their Open APIs. The Bank of Lithuania is considering to categorise the register according to the API functions, for example:
  - a) The **PSD2** – could consist of the Payment Services Directive APIs (payment initiation, accounts information, fund confirmation).
  - b) **Products and services** – could consist of the information on financial products, rates and branch/ATM related information (location, working hours, etc.).
  - c) **Regulatory** – could consist of the APIs developed by the Bank of Lithuania.
  - d) **Other** – other APIs not mentioned above.

The categories might be changed according to the received suggestions. Additional categories will be introduced after the new APIs are developed by financial market participants.

<b>Q4</b>	Would you agree to have links to the APIs of your organisation in the register of the financial sector APIs maintained by the Bank of Lithuania? If not, why? Have you any suggestions in this regard?
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<sup>12</sup> <https://www.hkma.gov.hk/eng/key-information/press-releases/2018/20180718-5.shtml>

<sup>13</sup> <https://www.paymentsnz.co.nz/our-work/payments-direction/api-framework-workstream/>

<sup>14</sup> <https://www.fin.gc.ca/n18/18-085-eng.asp>

<sup>15</sup> <https://www.seb.lt/naujienos/2018-05-22/seb-bankas-finansiniu-technologiju-imonems-suteikia-prieiga-prie-duomenu-api>

2. **APIs of the Bank of Lithuania** – developers will be able to extract relevant datasets on the Bank of Lithuania's website for their applications and systems in a seamless manner. For instance, software developers will be able to use the Bank of Lithuania's interest rate data to illustrate the interest rate trends. The Bank of Lithuania is considering a possibility of gradually releasing the datasets as APIs. If you are interested in the particular data, please provide your suggestions to the question below.

<b>Q5</b>	What information provided by the Bank of Lithuania via Open APIs would you find useful? What data would be of the highest priority for you?
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3. **Open data APIs** – it will facilitate easy use of publicly available information of commercial banks in mobile and web applications. It could be implemented by using the UK Open Banking or other standard. The data could include personal and business product, ATM and branch information. The specific product information via the Open data APIs should include:

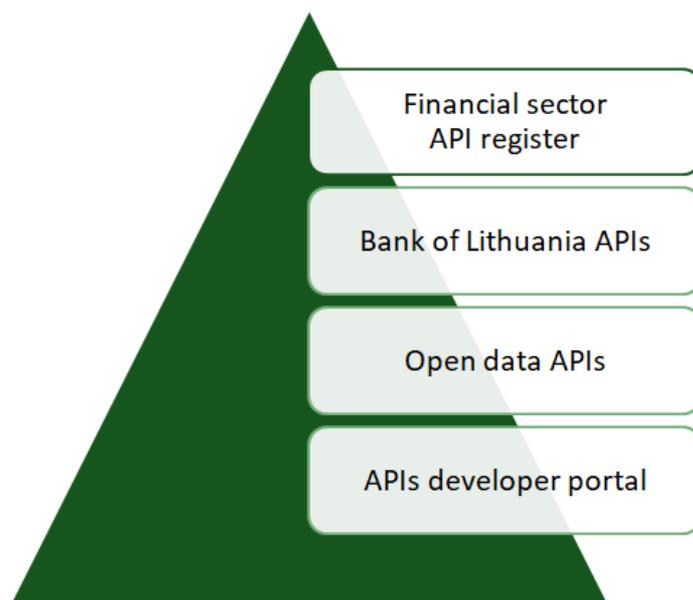
- a) Product prices;
- b) All charges (including interest);
- c) Features and Benefits;
- d) Terms and Conditions and customer eligibility.

The reference information via the Open Data APIs should include:

- a) All branch and business centre locations;
- b) All branch opening times;
- c) All ATM locations.

More detailed information regarding the scope and its comparison with the PSD2 is available in Annex 2. The detailed open data API specifications about the above mentioned components is available on the UK Open Banking Implementation Entity website:

<https://openbanking.atlassian.net/wiki/spaces/DZ/pages/16320694/Open+Data+API+Specifications>



Source: Bank of Lithuania

<b>Q6</b>	Would you agree to develop the Open data APIs according to the UK Open Banking Standard? If not, why? Which other Open Banking standard would you suggest using for Open APIs development?
<b>Q7</b>	What banking product information (listed in <b>Annex 2</b> ) would you find valuable for developing Open Banking products and/or services? Are there any other banking products or data which you would find useful for developing Open Banking products or services?
<b>Q8</b>	Would you agree to develop the above described Open data APIs without regulatory legal requirements?

4. **Interactive APIs developer portal** – the aim is to provide a sandbox environment for interested financial market participants to create the common market API standards for different banking products and services. Banks, FinTechs and other stakeholders could exchange their ideas, concerns, interoperability issues and test them in one place. The developer portal could be divided into three related streams:

- a) **Market standard creation** – participants would agree on the main principles, business requirements, data fields, message formats and other necessary API documentation details.
- b) **Development** – participants could develop APIs in accordance with the agreed standards.
- c) **Testing** – participants could test their APIs in a sandbox environment before transposing the same principles into their own production environment.

<b>Q9</b>	Would you agree to participate in the process of creating the common market API standards for different banking products and services (beyond the PSD2 requirements)? Would there be a need to have an interactive APIs developer portal where agreed market API standards could be tested?
<b>Q10</b>	Do you have any other suggestions on how the regulator could facilitate the Open Banking in Lithuania?

## Annex 1. Selected examples of the UK Open Banking regulated providers

<b>Provider</b>	<b>Brief description of provided services</b>
9 Spokes UK Limited	A FinTech platform providing financial insights and benchmarking to SMEs by integrating data from their business software apps into a single smart dashboard.
Bud Financial Limited	Bud's machine learning capability uses lines of transactional data to understand users and to help highlight where they spend, how they can save and which financial services might be relevant for a user via the marketplace.
Clear Score Technology Limited	ClearScore aims to change the way people manage their finances by offering users access to their credit score and report for free.
Credit Data Research Realtime Holdings Limited	Offers a comprehensive credit risk assessment for SMEs – using the Open Banking data a behavioural algorithm analyses a company's interactions across the financial system.
Credit Kudos Limited	Credit Kudos is a new credit bureau that uses financial behaviour of customers to measure their creditworthiness.
Ecospend Technologies Limited	Unifies all bank accounts and credit cards in one easy to use platform utilising the Open Banking API framework. It analyses accounts using machine learning and is able to categorise and ring fence funds to prevent overspent, unused direct debits and where possible detect fraudulent behaviour on your accounts.
Emma Technologies Ltd	Application which helps avoid overdrafts, cancel wasteful subscriptions, track debt and save money.
Flagstone Investment Management Limited	Flagstone's cash platform gives customers access to hundreds of deposit accounts and aims to maximise interest while minimising risk.
Flux Systems Limited	Flux links exactly what customers buy to their bank card to send automated receipts and loyalty to their banking app.
FUNDINGXCHANGE Limited	FUNDINGXCHANGE has developed advanced automated decision-making technology to instantly identify eligible business loans and funding solutions for small businesses.
Funding Options Ltd	The marketplace for business finance helping businesses find the right finance for their situation from dozens of the UK's best lenders.
Indigo Michael Limited	SafetyNet Credit is a revolving credit facility which utilises bank account data and provides a credit limit and self-service dashboard.
ING Bank NV	Built with the principles of Open Banking, Yolt enables to sync accounts in one view, see spending clearly and do more with easy budgeting, international money transfers and energy comparison.

Source: UK Open Banking Implementation Entity.

## Annex 2. Comparison of the PSD2, the UK and Australia's Open Banking scope

Scope	PSD2	UK Open Banking	Australia*
Payment initiation service	+	+	-
Account information service	+	+	+
Funds confirmation service	+	+	+
<b>Open data APIs:</b>			
Bank branch information	-	+	+
ATM information	-	+	+
Personal current accounts	-	+	+
Business current accounts	-	+	+
Business unsecured loans	-	+	+
Commercial credit cards	-	+	+
Mortgages	-	-	+
Personal loans	-	-	+
Lines of credit	-	-	+
Lines of credit (business)	-	-	+
Overdrafts (personal)	-	-	+
Overdrafts (business)	-	-	+
Consumer leases	-	-	+
Credit and charge cards (personal)	-	-	+
Asset finance and leases	-	-	+
Savings accounts	-	-	+
Call accounts	-	-	+
Term deposits	-	-	+
Cheque accounts	-	-	+
Debit card accounts	-	-	+
Transactions accounts	-	-	+
GST and tax accounts	-	-	+
Cash management accounts	-	-	+
Farm management accounts	-	-	+
Pensioner deeming accounts	-	-	+
Mortgage offset accounts	-	-	+
Trust accounts	-	-	+
Retirement savings accounts	-	-	+
Foreign currency accounts	-	-	+

\*Proposed list of banking products and services by the Review into Open Banking.

Sources: Bank of Lithuania, UK Open Banking Implementation Entity and Australia's Review into Open Banking.