



**LIETUVOS BANKAS**  
EUROSISTEMA

# Review of the Public Consultation Results

## **Open Banking in Lithuania**

**2019**

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## **Abbreviations**

**API** – application programming interface

**ASPSP** – account servicing payment service provider

**Berlin Group** – pan-European payment solutions' standardisation initiative developing open standards

**eIDAS** – Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market

**ERPB** – Euro Retail Payments Board

**PSD2** – Directive 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market

**PSP** – payment service provider

**TPP** – credit institution, electronic money institution or payment institution providing payment initiation, account information and/or confirmation on the availability of funds services

**QTSP** – qualified trust service provider according to the eIDAS Regulation

## 1. INTRODUCTION

At the end of November 2018, the Bank of Lithuania launched a public consultation concerning the introduction of additional Open Banking measures in Lithuania. The purpose of the consultation was to find out the opinion of the current and future financial market participants, their organisations and other stakeholders on the advantages of, barriers to and need for different Open Banking measures in Lithuania.

The consultation lasted until the end of January 2019; 10 written opinions were received.

This document provides a summary of the anonymised responses received.

The Bank of Lithuania expresses gratitude to all respondents and will take their comments into consideration when deciding on the implementation of Open Banking measures in Lithuania.

## 2. RESULTS OF THE PUBLIC CONSULTATION

All participants in the consultation agreed that Open Banking brings benefits to their organisations. The majority of them consider developing new APIs or Open Banking services which are beyond the PSD2 scope. Participants also explained the main barriers to developing new APIs or Open Banking services. All of the respondents approved the proposal to create a financial sector API register, which would be administered by the Bank of Lithuania. The Bank of Lithuania is planning to establish the register by the end of 2019.

Opinions regarding additional Open Banking data and standards differed. Several respondents noted that the development of additional Open Data APIs in accordance with the UK Open Banking Standard might create confusion in the market since the majority of ASPSPs are planning to use the Berlin Group specifications for APIs development. They also noted that the UK Open Banking Standard has been tailored specifically for the products and services in the UK market, and before adopting these standards the Bank of Lithuania should work together with the industry to thoroughly analyse whether they are equally applicable in Lithuania. On the other hand, some respondents are very interested in having Open Data APIs and some of them are in favour of using the UK Open Banking Standard. Others noted that the scope of UK Open Banking is a must and the majority of banking products and services proposed in Australia (*ref. – Annex 2 to the public consultation document*) could be implemented in Lithuania as well. In addition, there were several proposals to explore Open Banking opportunities in such areas as savings, mortgages or pensions.

Respondents' proposals and views on additional Open Banking measures need further investigation. Therefore, the Bank of Lithuania, together with other institutions, has set a working group in the Lithuanian Payments Council, which is exploring potential Open Banking use-cases in order to decide which measures could be implemented and adjust them in accordance with market needs.

Examples of the anonymised responses are provided below.

### Responses to the questions of the consultation document

The consultation document contained 10 questions.

#### 1. 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?

Respondents believe that Open Banking will boost creativity in the currently rather conservative market of financial services and will encourage development of new products. They claim that the activities of new FinTech players, which enter the Lithuanian market with enthusiasm and new business ideas, have already produced tangible results as they push forward to introduce user-friendly and hi-tech financial products, especially in contrast to traditional banking.

For other respondents, the main benefits brought by Open Banking are:

- 1) the possibility to attract new partnerships (TPPs) and to offer their services to end-customers not only via their direct channels, but also through TPPs;
- 2) the possibility to become a TPP and to offer more services via their direct channels that would be linked to the APIs of other ASPSPs.

Beyond PSD2, Open Banking creates a new level of opportunities to expand banking beyond current borders. Respondents are absolutely sure that it allows improving banking services, creating new ones and improving customer experience dramatically. Also, Open Banking offers the possibility to create new services in cooperation with third parties, improve customer experience and sell third-party products within their channels.

## **2. DO YOU CONSIDER DEVELOPING, IN THE NEAREST YEARS, APIS OR OPEN BANKING SERVICES THAT ARE NOT REQUIRED UNDER PSD2? CAN YOU PROVIDE ANY EXAMPLES?**

In order to unlock the full potential of Open Banking, and, in turn, allow businesses to create new and innovative products, respondents strongly support the development of APIs or Open Banking services beyond PSD2 requirements. Access to product, account, and transactional data from across a broad range of deposit and lending products will transform the banking ecosystem.

Other respondents develop business integration APIs not only for financial institutions, but also for a pool of their potential customers, such as peer-to-peer lending platforms, various FinTechs, e-commerce, etc., thus enabling their corporate customers to get automated access to financial services. In this way, new market participants become more integrated into the existing financial ecosystem.

In the nearest future, financial market participants are planning to develop the following APIs: a list of bank branches; a full list of notifications subscribed, subscriptions for events, notifications subscribed, consumer loans, foreign exchange, etc.

## **3. WHAT ARE THE MAIN BARRIERS IN DEVELOPING NEW APIS OR OPEN BANKING SERVICES FOR YOUR ORGANISATION?**

From a TPP perspective, one of the main barriers to developing new Open Banking services can be the limited functionality and scope of PSD2-required information provided by ASPSPs via APIs. TPPs are largely competing in terms of improved customer experience and ease of use of their products (when compared to traditional banking services). However, if TPPs rely on API data which restricts their ability to innovate or that is too prescriptive, they face barriers to developing new products and services.

Traditional banks and credit unions are significantly more conservative and less willing to implement new technological solutions, and, obviously, not willing to share their customer base with new market participants. One of the obstacles they face is the underlying infrastructure that they use, which needs to be adjusted in order to create APIs faster. Another issue is related to resources – on top of all other developments that must be introduced in order to ensure compliance, full-digitalisation and introduction of new services, they also need to have resources for API creation. Finally, they need to find the right use-cases and business models that could be applied for that.

New financial institutions, on the other hand, are start-ups with many different ideas and niche businesses; however due to lack of resources at the start of their business, they tend to be unwilling to invest in tools that do not directly generate income (especially various features that Open Banking brings to the table).

**4. 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? DO YOU HAVE ANY SUGGESTIONS IN THIS REGARD?**

Respondents welcome the idea of publishing a catalogue that would have in one place links to financial sector API developer portals and relevant documentation as it could be helpful for new providers entering the Lithuanian market and may help to drive API development in Lithuania. One of the respondents suggested that the API register should be machine-readable and updated in real time; eventually push notifications could be used.

Other financial market participants also agreed that it would make sense to list financial sector APIs in one register administered by Bank of Lithuania. Such information would be valuable for companies wishing to create new services or improve customer experience on the basis of various APIs provided by banks. Banks would also benefit from this as they would have more cooperation/integration opportunities to improve customer experience.

**5. 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?**

Respondents consider that enabling access to data held in the Bank of Lithuania-administered national register of financial institutions via an API could help drive the adoption of Lithuanian PSPs' products and services across Lithuania and Europe. At the EU level, ASPSPs are currently unable to accurately check a TPP's regulatory permissions when presented with the TPP's eIDAS certificate. Having said that, third-party solutions allowing ASPSPs to check a TPP's status on national Competent Authorities' registers are already emerging in the market place.

Real-time API access to the Bank of Lithuania-administered national register data will support eIDAS certificate providers (QTSPs) when they are issuing certificates to TPPs as well as the development of solutions for accurately checking Lithuanian TPPs' licence status on an on-going basis, in turn helping to drive adoption of Lithuanian TPPs' products and services.

Therefore, the highest need would be for machine-readable APIs so that financial markets participants/TPPs could check in real time whether a particular TPP has a suitable licence: <https://www.lb.lt/en/sfi-financial-market-participants>

Other respondents noted that they would like to access all information already made publically available by the Bank of Lithuania via APIs (if it is not currently available through any other technical interfaces), e.g. public statistics on the financial sector based on AnaCredit. Any information that would allow automation of processes on their side would be really valuable; nonetheless a separate investigation is needed to conclude what information would be necessary the most.

**6. WOULD YOU AGREE TO DEVELOP OPEN DATA APIS ACCORDING TO THE UK OPEN BANKING STANDARD? IF NOT, WHY? WHICH OTHER OPEN BANKING STANDARD WOULD YOU SUGGEST USING FOR OPEN API DEVELOPMENT?**

Respondents acknowledge that the UK Open Banking Standard is well developed and as such would be a natural choice for the Lithuanian market to adopt. However, the UK Open Banking Standard has been tailored specifically for the products and services in the UK market, thus the respondents would recommend that before adopting these standards the Bank of Lithuania would work together with the industry to thoroughly analyse whether they are equally applicable in Lithuania. In addition, they noted that, as Lithuanian banks are

adopting the Berlin Group standards for PSD2 APIs, any choice of open data standards should be compatible so as not to introduce implementation complexity for the market.

Respondents suggest using the API standard/specifications provided by the Berlin Group, since most of banks in the Baltic and Nordic markets have already started to apply it for building mandatory APIs. Using two different standards for API implementation would not be reasonable from both banks' and market (TPPs) perspective. The Berlin Group specifications are constantly filled not only with mandatory PSD2, but also with additional scope.

One of the financial market participants noted that local Open Banking regulation would limit new market players entering the Lithuanian market due to increased complexity/compliance. For FinTechs that usually aim to grow beyond Lithuania, a solution developed in Lithuania would not work in other countries. Also FinTechs outside Lithuania entering the Lithuanian market would need to adapt their solutions under local regulation. This might decrease both competitiveness in the Lithuanian market and its attractiveness to ASPSPs targeting the EU single market.

## **7. WHAT BANKING PRODUCT INFORMATION (LISTED IN ANNEX 2) 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?**

Some financial market participants noted that the UK Open Banking scope should be mandatory and would find all information listed in Annex 2 valuable. Others mentioned that Australia's scope is not a must, but would be nice to have.

With regard to the latter, there are a lot of information that refers to seemingly local Australian specifics, e.g. farm management accounts or cheque accounts, therefore the Australian standard needs additional detailed analysis and cannot be applied to Lithuania as-is, its scope should be adapted to the specifics of the Lithuanian market. However, respondents support the concept of sharing as much information as possible.

Other respondents noted that e-money products, including wallets and pre-paid cards, are not included in the list of account types in Annex 2 to the consultation. E-money issuers often offer products that are comparable to those offered by credit institutions, such as an e-money account with a pre-paid debit card that operates like a basic bank account. Therefore, data on e-money products could be included in open data APIs to enable Lithuanian consumers or businesses to compare services offered by e-money issuers with incumbent banks. Inclusion of data on innovative financial products, such as e-money, would help drive competition in the Lithuanian payments market.

One of the respondents noted that this question should be directed to the market, i.e. TPPs. They, as banks, are ready to offer information that the market would need/require.

## **8. WOULD YOU AGREE TO DEVELOP THE ABOVE DESCRIBED OPEN DATA APIS WITHOUT REGULATORY LEGAL REQUIREMENTS?**

Respondents support the development of the described Open Data APIs and recognise that without legal obligation to provide open data the market may be too fragmented to deliver real benefits to competition and innovation. However, they would recommend that the Bank of Lithuania consider the full cost-benefits of mandating all financial providers to provide product and service data via APIs. The analysis should explore the impact on smaller financial institutions to ensure that the provision of open data would not become a barrier to offering services in Lithuania.

Other respondents do not support this idea. As developers, they need a business case for investment, and practice shows that financial institutions are not willing to invest in new technology without regulatory requirements.

Some respondents are willing and planning to develop additional APIs, so for them regulatory requirements are not necessary. They suggest focusing on a commercially- rather than regulatory-driven approach in terms of the additional Open Banking scope.

**9. WOULD YOU AGREE TO PARTICIPATE IN THE PROCESS OF CREATING A COMMON MARKET API STANDARD FOR DIFFERENT BANKING PRODUCTS AND SERVICES (BEYOND THE PSD2 REQUIREMENTS)? WOULD THERE BE A NEED TO HAVE AN INTERACTIVE API DEVELOPER PORTAL WHERE AGREED MARKET API STANDARDS COULD BE TESTED?**

One financial market participant answered “yes to all” – they have both business and technological competence for such participation.

Another respondent answered that participation in the process of creating a common market API standard would be interesting and crucial if the standard would be developed at the EU, not merely country level.

Other respondents believe that the creation of yet another common market API standard is not needed. Creating a new standard would bring even more complexity in terms of Open Banking implementation. Instead, they suggest using the Berlin Group specifications. As to the common developer portal, this question should be directed to TPPs. An interactive API developer portal would probably be more convenient than having to test each ASPSP’s APIs in separate developer portals.

Other respondents are willing to participate in the process of creating a common market API standard that would go beyond PSD2 requirements. They have been actively involved in the development of the UK Open Banking Standard, the API Evaluation Group and the ERPB’s Working Group on Payment Initiation, and could thus share their experience, if needed.

They also support the idea of the Bank of Lithuania developing a regulatory ‘sandbox’ that would allow testing API standards and developing new products and services prior to firms gaining authorisation. It would drive a pipeline of Open Banking innovation in Lithuania and may attract to Lithuania companies from across Europe.

**10. DO YOU HAVE ANY OTHER SUGGESTIONS ON HOW THE REGULATOR COULD FACILITATE OPEN BANKING IN LITHUANIA?**

Some financial market participants believe the Bank of Lithuania should take regulatory measures to introduce a wider scope of Open Banking as this would attract new market participants and make Lithuania more competitive on a global scale.

The possibility of creating a working group to facilitate Open Banking in Lithuania had already been raised. However, the scope of the working group’s mandate will need to consider whether this is strictly a PSD2 compliance exercise or a more market-oriented one that would potentially deliver benefits for consumers, in which case it must address ‘best practices’ even if they go beyond PSD2, and perhaps consider APIs for other products, such as savings, mortgages and pensions. Respondents are in favour of building a more comprehensive ecosystem with greater API functionality, promoting best practices, and working beyond PSD2.

Another respondent believes that only standardisation on an EU level, where the same standard is applicable in all EU countries, would help expand services within the EU. They would see value in initiating the standardisation process on an EU level. Such standardisation would increase the long-term openness and competitiveness of the Lithuanian market.