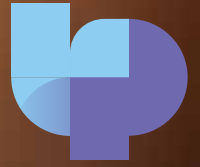


WHITE PAPER

Brave New World of Open Banking

Ushering in a new era of financial services that unlock customers' financial freedom

APRIL 2024



CONTENTS

01

OPEN BANKING IN A NUTSHELL

A Generalized Definition.....	5
Benefits for Consumers and Businesses	5
Open Banking for Financial Inclusion	6
FIGURE: Traditional Banking vs Open Banking.....	6
Data Aggregator's Role in Open Banking.....	8
FIGURE: Data Aggregator's Intermediary Role	9
Evolution of Pan-European Approach.....	9
Open Banking Journey in the UK.....	13

02

GLOBAL OPEN BANKING MARKET

Global Journey towards Open Finance.....	16
Worldwide Market Size and Growth.....	16
Europe is Leading the Way	17
GRAPH: Global Open Banking Market (2022-2030).....	18
UK's Leadership in Bill Payments.....	18
INFOGRAPHIC: The Global Map of Open Banking & Open Finance.....	20

03

OPEN BANKING IN THE MIDDLE EAST

Transformation in the MENA Region	23
Regulators' Approach to Open Banking.....	24
Bahrain.....	26
Saudi Arabia	26
United Arab Emirates	27
Qatar.....	28
Egypt.....	29
Oman.....	29
Kuwait.....	30
Türkiye.....	31
Jordan	31

04

CHALLENGES & OPPORTUNITIES FOR OPEN BANKING

Obstacles for Banks & Fintechs.....	35
Potential Opportunities for Merchants.....	35
Conclusion.....	37
GRAPH: Open Finance is a 'Must Have'	37
GRAPH: Open Banking Use Case with Most Impact.....	38

INTRODUCTION

The face of the financial world has changed dramatically in the last 10 years. That small but smart device in our pockets has had a profound effect on the consumers and helped to drive innovation in the banking sector like never before. Today, we have reached the phase of Open Banking, a silent revolution, yet gaining pace all over the globe!

With this white paper, we attempt to provide you with an updated, comprehensive overview of the global Open Banking journey, through which increased competition and innovation drive the development of new financial services. The document thoroughly explores the present and future of Open Banking and Open Finance, with a primary focus on the MENA region. We look at the evolution of the market size and discuss how the move towards Open Banking is designed to increase the competition, improve consumers' choice, and drive innovation, in addition to how recent developments are set to fortify the financial industry. Some see open banking as just the latest technology trend. This is indeed not true. Open Banking is the very foundation of tomorrow's B2B financial landscape. From seamlessly integrating payroll systems and effortlessly managing vendor invoices to quickly executing employee reimbursements, open banking represents -in the MENA region, too- a transformative

shift in the financial services landscape. Its basic objective is stimulating innovation in the banking sector by putting data back in the hands of customers and unlocking their financial freedom.

And, as leading data aggregators and hub providers, we serve as mediators for consent-based data portability, making us the "connective tissue" for Open Banking." We enable financial institutions to embed the power of Open Banking into their products and services so that we can create a better and fairer tomorrow for the consumers.

An important dimension of the Open Banking is the financial inclusion. With increasing evidence of Open Banking's societal benefits, central banks and monetary authorities in the MENA region prioritize financial inclusion as they reshape their financial regulations. This way, we, as TPAY, are ready for any partnership that will aim to foster financial inclusion by making the financial services more accessible to the unbanked and



underbanked population of the MENA region.

As the TPAY team, we are also determined to put every effort into increasing the awareness of the changes in our merchants' community so that they can strategically position themselves to take advantage of the new opportunities arising from the open banking era. We believe increasing the awareness of Open Banking will pave the way for a more dynamic and innovative financial ecosystem, benefiting both the industry and the consumers.

Now, let's sit back and read the white paper and explore the key aspects of Open Banking, its implications, and its anticipated opportunities and benefits. And let's hope that this document serves as a beacon guiding our regional partners and merchants through the transformative landscape of Open Banking and beyond.

Işık Uman,
TPAY Group CEO



Open Banking in a Nutshell

- A Generalized Definition
- Benefits for Consumers and Businesses
- Open Banking for Financial Inclusion
- Data Aggregator's Role in Open Banking
- Evolution of Pan-European Approach
- Open Banking Journey in the UK

01

A Generalized Definition

Although there is no single interpretation of the term “Open Banking,” all approaches towards its definition attach the central role to the “customer” as the data owner, the decision-maker of data sharing, and the primary beneficiary in the Open Banking framework. So, “Open Banking” could be defined as “a generally regulated framework that enables banking customers to share their data with third parties, commonly through standardized interfaces such as Application Programming Interfaces (APIs), to reshape the way the customers manage and interact with their finances.”

Regarding data sharing, the fundamental question is: What is being shared with the customer’s content: the account information, transaction history, direct debit history, credit history, savings and investment data and so on?

So, we are talking about an ecosystem that enables financial institutions which hold a customer’s data to share it with other institutions,” to be processed as part of Open Banking services. Roughly half a decade in the making and still in its infancy, Open Banking unlocks a wave of digital financial innovation. As a ground-breaking financial technology, Open Banking can reshape everything related to bank accounts, credit cards, payments, small business loans, mortgages, and insurance policies.

That’s why financial innovations in the Open Banking ecosystem could empower strong non-bank companies (i.e., fintechs) to become powerful financial services players.

The United Kingdom is one of the leading countries in the transition to Open Banking. Over 11%¹ of British consumers and 17% of small businesses are active users of Open Banking-enabled products.

Benefits for Consumers and Businesses

Open Banking is revolutionizing the financial industry, offering customers more choices,

control and flexibility in financial services. Traditionally, only banks used to hold a record of the amounts we spend, save, and borrow—from utility bills and mortgage payments to our weekly spending on fuel and leisure. Traditional banks have always been very conservative because of the exclusive nature of access to their customers’ financial data since they benefited from this fact. In Open Banking, opportunities come from the large amounts of data owned by financial institutions, most of it stored instead of being used to drive innovation. Therefore, government regulations and market forces worldwide for the last several years have mandated that some customer data can be shared with third parties. This global movement, known as “open financial data” allows an expanding ecosystem of both financial and non-financial players to access customer accounts and data in order to offer new products and services.

Open financial data could put powerful non-bank companies in a stronger position to become financial services players. Fintechs are not going to be the only winners. Consumers and businesses think that Open Banking will improve their banking experience. Nearly all research studies outline the three main benefits of Open Banking that consumers and small businesses consider.

First, aggregation of all customers’ financial information in one easy-to-manage place is possibly the most appealing use case. It will give customers a better sense of their complete financial picture and an increased control & security of their financial data.

Secondly, it will lead to a better experience and personalisation in banking. Instead of going through the bank for services like payments, Open Banking gives consumers the convenience of financial activities embedded into their daily lives. This means not only expanded points of distribution for financial services but also simplified payments and transfers.

Thirdly, Open Banking means making the best use of their money for customers.

Consumers are drawn to solutions that offer them informative tools to be able to act on. Thanks to the more innovative personal finance management tools and automated advice services that rely on analytics and algorithms to provide guidance and personal recommendations on investment products, consumers may find the best deal among mortgages, loans, credit cards and non-banking products such as insurance and utility providers.

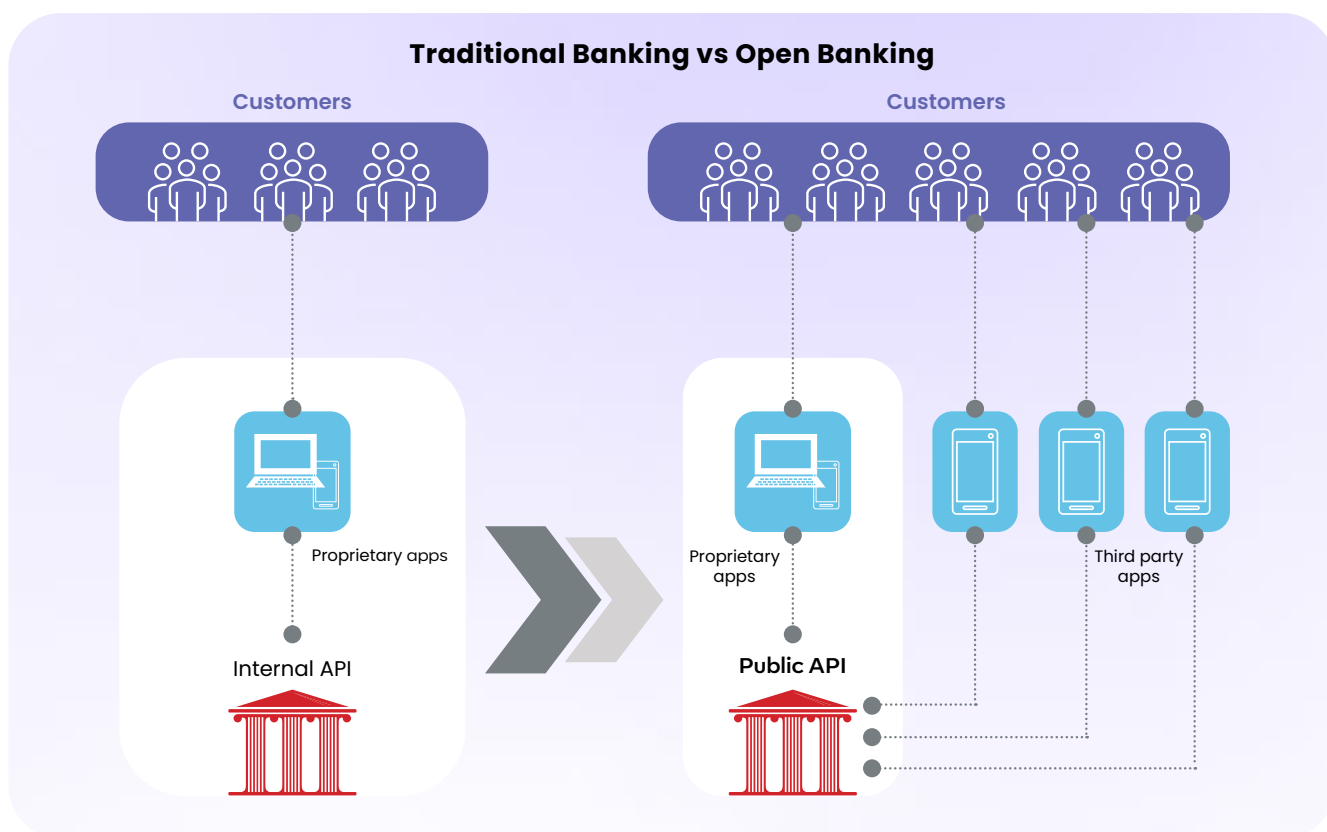
Open Banking for Financial Inclusion

Granting third-party providers (TPPs) access to the customers' online bank accounts may give them practical new tools to manage their finances and, thus, new opportunities. However, Open Banking regimes do not automatically drive account ownership*, which is the first step towards the financial inclusion. This must be

considered in the design of the Open Banking regime.

If properly structured and with the right market conditions, Open Banking may offer many advantages for the financially less served and more vulnerable segments of the population. It can help increase the number of relevant services and improve the quality of those services for people who already have a bank account but are underbanked. As a result, exchanging financial product data and/or certain customer-specific data that results from Open Banking can support economic resilience and inclusion. As noted, the public sector-driven Open Banking framework in which certain financial sector players share data should be designed specifically to drive financial inclusion.

A recent World Bank report concludes² that if financial inclusion is a goal, regulatory bodies should design the Open Banking regime in such a way to extend data sharing among financial



* Globally, in 2021, 76% of adults had an account at a bank (or regulated institution such as a credit union, microfinance institution, or a mobile money service provider), with an increase of 26 points over the last ten years (account ownership was 50% in 2011). Worldwide account ownership in developing countries, jumped 30 percentage points from 42% in 2011 to 71% in 2021, largely due to digitalization. Holding an account is the first step towards financial inclusion – “The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19,” Asli Demirgüç-Kunt, Leora Klapper, Dorothe Singer and Saniya Ansar, International Bank for Reconstruction and Development / The World Bank, 2022- <https://www.worldbank.org/en/publication/globalindex>



institutions to include non-financial institutions such as energy, telecom, and utility companies. The report also outlines that bringing fintechs, other TPPs, and other financial service providers (FSPs) (e.g., e-money issuers) into an Open Banking regime's scope would ensure more actors in place that would have the ability to offer products and provide data that can assist financially underserved people in emerging markets, which, in turn, would render financial services more affordable. The broader the sectoral and data scope of an Open Banking regime, the more potential benefits Open Banking regimes have for financial inclusion.

CGAP's (Consultative Group to Assist the Poor) senior financial sector specialist, Ariadne Plaitakis presented³ in her working paper what types of Open Banking-enabled products and business models CGAP believes would be most beneficial for financial inclusion and how these may alleviate pain points of low-income individuals.

Among the components that appear as critical to enhancing inclusion, especially for financially vulnerable individuals in developing countries, are:

- a) the extension to different financial services (not just payments, but also credit and insurance);
- b) "data reciprocity" among market participants (i.e., between data holders and data users) instead of an obligation only on incumbents to share the data (the symmetry might be extended to redress mechanisms);

- c) specific attention to cost distribution across market participants (an excessive burden on incumbents may reduce their incentives to active participation);
- d) less clear-cut is the evidence on the benefit of somehow centralized standardization of API (the interfaces to be used for data sharing) vs. leaving the industry to determine data sharing standards.

To sum up, if financial inclusion as a social goal is taken into account from the very beginning by the legislative and regulatory bodies as one of the main objectives of Open Banking, alongside innovation and competition, the benefits of data exchange could also be more easily available to the financially underserved, which otherwise includes risk to be excluded.

Data Aggregator's Role in Open Banking

Open Banking aggregators, sometimes called "the Connective Tissue for Open Banking"⁴, play a crucial role in the growing infrastructure of Open Banking.

As regulated entities, new-generation open banking aggregators may perform three distinct functions: Account Information Service Provider (AISP), Payment Initiation Service Provider (PISP), and Third-Party Provider (TPP). That is not to say that all AISPs are data aggregators or that all data aggregators must execute each of these three roles.

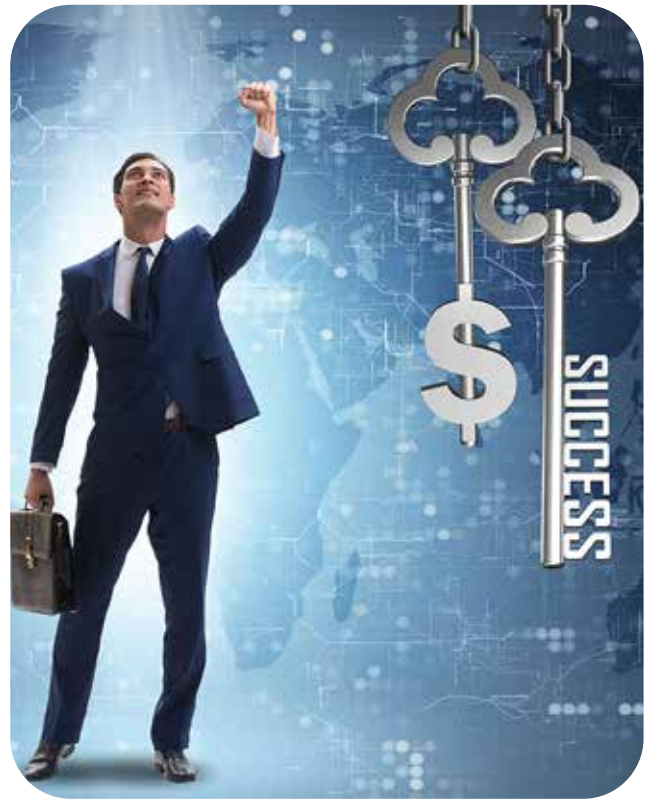
Data aggregators, like matchmakers for financial data, serve as intermediaries between a consumer's financial institutions and authorised TSPs, creating a seamless flow of information. In most cases, they connect consumer's bank accounts with fintech services, with a process where services collect and simplify the financial data from various sources, making it easier to manage. Instead of dealing with each financial institution separately, it's like having a tidy summary of all your financial data in one place. This helps provide consumers with better services to track their spending, analyse their financial habits, and make informed decisions based on their current financial situation.

Data aggregators facilitate the API-based data flow from financial institutions to TSPs, making money transfers or budget tracking much easier for consumers.

The figure below shows how a data aggregator securely connects a consumer-authorized TSP with the consumer's bank via APIs. The data flow in the figure has three preconditions: First, access to financial data is only granted with explicit user consent. Second, the consumer has already installed both the fintech app and the consent app (third-party app). Third, the consumer has also created a PIN or credentials with the fintech app and the consent app, and completed the onboarding process in both environments.

Data aggregators can help enhance the consumer experience of financial services in three ways. First, data aggregators' connections with various financial institutions and the ability to access a variety of consumer financial data can help assist consumers with budgeting, expense tracking, and financial planning to maximise savings.

Second, data aggregators enable potential lenders (both nonbank lenders and financial institutions) to access a variety of consumer data electronically via APIs, making the loan application process easier and less error-prone for both the consumer and lenders. Third, a data aggregator's ability to access consumers' bank accounts and real-time account balance verification at various banks enables TSPs



to offer payment services that benefit both consumers and merchants.

As well as directly enhancing financial services, data aggregators can also increase competition among financial service providers and across payment methods, improving financial services for both consumers and merchants.

Evolution of Pan-European Approach

Europe might reasonably claim to be the leader in Open Banking initiatives. The financial landscape in Europe has been undergoing significant transformations, driven by regulatory frameworks that aim to enhance security, competition, and innovation. The payment services directives (PSDs) are at the forefront of this evolution. Now, let's have a look at the evolution that revolutionised the way payments are made and managed across the European Union (EU).

The EU's first Payment Services Directive (PSD1) came into force⁵ in 2007. It provided the legal foundation for a single European retail payments market to establish safer

and more innovative payment services across the EU. The legislation aimed to contribute to a more integrated European payments market so that cross-border payments could be as easy, efficient and secure as “national” payments within any European Union state. PSD1 has eased access for new market entrants and payment institutions across the European economy, making payments more straightforward and quicker across the EU. Payments are usually credited to the receiver’s account within the next day.

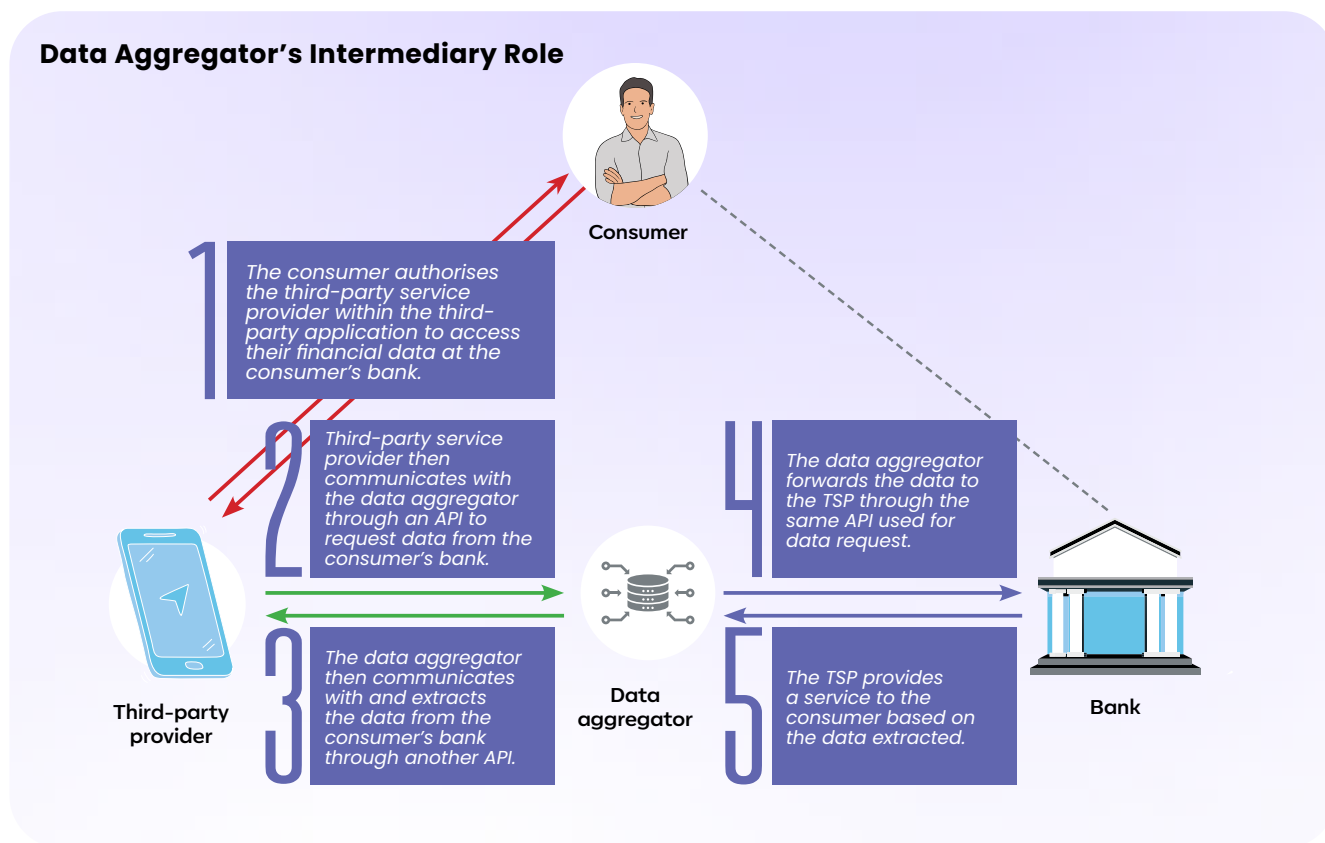
The first Directive has cut execution times, strengthened consumer rights, and clarified the liability of payment institutions.

But that was not enough. The Commission proposed⁶ to revise the PSD1 in July 2013 to improve the level playing field for payment service providers (including new players). The proposal included a regulation on interchange fees for card-based payment transactions (the Interchange Fee Regulation) entered into force on 9 June 2015. On 8 October 2015, the European Parliament adopted⁷ the revised Directive (PSD2). This new law enhanced consumer protection, promoted innovation and improved the security of payment services.

PSD2 was the latest in a series of laws adopted by the EU to provide modern, secure, efficient and cheap payment services for European consumers and businesses.

To be more precise, some of the changes that the new rules introduce are:

- Introduction of strict security requirements for the initiation and processing of electronic payments and the protection of consumers’ financial data;
- Opening the EU payment market for companies offering consumer or business-oriented payment services based on access to information about the payment account – the so-called “payment initiation service providers” and “account information service providers”;
- Enhancing consumers’ rights in numerous areas, including reducing the liability for non-authorised payments, introducing an unconditional refund right for direct debits in euros;
- Prohibition of surcharging (additional charges for the right to pay e.g. with a card) whether the payment instrument is used in shops or online.



Following the Parliament's vote, the Directive was formally adopted by the EU Council of Ministers and then published in the Official Journal of the EU. From that date, Member States had two years to introduce the necessary changes in their national laws to comply with the new rules. Finally, on January 13, 2018, PSD2 became⁸ broadly applicable within the European Economic Area.

The package of new legislative measures on payment services required payment service providers to apply strong customer authentication (SCA) for electronic payment transactions as a general rule. Whenever a payer initiates an online transaction above €30, the SCA would be applicable unless one of the nine exemptions apply (e.g. low-value transactions, trusted beneficiaries, etc). SCA is an authentication process that validates the identity of a payment service user or a payment transaction. More specifically, the SCA indicates whether the use of a payment instrument is authorised. Although the proposal to make SCA mandatory got some criticism (of adding unwelcome friction levels into the transaction process), it has become a legal requirement⁹ for electronic payments and credit cards starting September 14, 2019. This brought Open Banking into play and aimed to secure online transactions.

On the innovation front, PSD2, with its more outstanding data-sharing mandates, has revolutionised financial services in the European Union by laying the groundwork for TPPs that can access consumer data from their financial institutions using APIs, provided they have customer consent. This was a revolutionary drive in the payment ecosystem. As a result, two new types of service providers were established: Account Information Service Providers and Payment Initiation Service Providers.

An Account Information Service Provider (AISP) is a type of financial institution that provides access to the user's financial information on accounts held by other institutions. Open Banking grants consent to regulated AISPs to view bank account information, including

PSD2 was the latest in a series of laws adopted by the EU to provide modern, secure, efficient and cheap payment services for European consumers and businesses.

transaction history. They can offer businesses and customers a complete financial overview to manage their day-to-day financial activities, but cannot initiate payments or transfers. AISPs' primary purpose is to provide users with more centralised access to their financial data, which can include money management tools, financial forecasting, price comparison, etc. AISPs can provide consolidated information but cannot initiate payments or transfers.

A Payment Initiation Service Provider (PISP) is a type of financial institution that allows users to initiate payments on their accounts held with other institutions. A PISP is authorized to carry out online transactions without needing credit or debit card details. PISPs are established to ease the customers' use and access to finances.

PSD2 obliged banks to facilitate data sharing for AISPs and PISPs via a secure API. These two central ingredients of PSD2 are the core of a stable regulatory framework of an Open Banking ecosystem. Open Banking can be defined as the process by which AISPs and PISPs enable other parties to provide value-added services to users by accessing – only granted with your consent- their account information held by banks and other payment account providers. PSD2 gave Open Banking a stable regulatory framework. The payment services market was going to change significantly in the coming years.

In the meantime, electronic payments in the EU have been constantly growing. It reached €240 trillion in value in 2021¹⁰; compared with €184.2 trillion in 2017. This rising trend was accelerated by the COVID-19 pandemic. During



the pandemic, new providers, enabled by digital technologies, have entered the market, in particular providing Open Banking services – i.e. securely sharing financial data between banks and fintechs. However, more sophisticated types of fraud have also emerged, putting consumers at risk. Plus, unclarified areas of regulation were creating some uncertainty in the payment services market. The industry was once again looking for a revised Directive (PSD3) to complete the job begun by PSD2, provide greater clarification in certain areas, fight emerging types of fraud effectively– and go further towards Open Finance.

That is why the European Commission (EC) proposed new sets of measures on 28 June 2023. The Commission published¹¹ plans for the successor to PSD2, the third payment services directive (PSD3). The proposal aimed to amend and modernise the current Directive (PSD2), which will become PSD3, and establish, in addition, a Payment Services Regulation (PSR).

The proposal of the Commission consists of a package of measures which:

- **Combat and mitigate payment fraud**, by enabling payment service providers to share fraud-related information between themselves, increasing consumers' awareness, strengthening customer

authentication rules, and extending consumers' refund rights. Although fraud rates remained low, losses rose quickly as digital commerce-based transactions exploded. According to research from Signifyd, losses in some fraud categories rose by 100% between 2020 and 2021 after PSD2's provisions were implemented.

- **Improve consumer rights in cases, for example**, where their funds are temporarily blocked, improve transparency on their account statements and provide more transparent information on ATM charges.
- **Further levelling the playing field between banks and non-banks**, in particular by allowing non-bank payment service providers access to all EU payment systems, with appropriate safeguards, and securing those providers' rights to a bank account.
- **Improve the functioning of Open Banking**, by removing remaining obstacles to providing such services and improving customers' control over their payment data, enabling new innovative services to enter the market.
- **Improve the availability of cash in shops and via ATMs** by allowing retailers to provide cash services to customers without requiring a purchase and clarifying the rules for independent ATM operators.
- **Strengthen harmonisation and enforcement**, by enacting most payment rules in a directly applicable regulation and reinforcing provisions on implementation and penalties.

Do these proposals potentially realise the EC's stated objective of "improving the competitiveness of Open Banking services"? It should be noted that EC's proposal introduced an explicit baseline level of functionality and performance that all Open Banking interfaces will, at a minimum, be required to meet. So, the answer was, "to a certain degree, yes, these proposals do realise such objective." However, questions remain over the efficacy of the intended measures and the market appetite for some of them. EC has left much of the specifics of the required functionality and performance to be defined in future by the European

Banking Authority (EBA) in Regulatory Technical Standards. So, the industry hopes that these requirements will improve the quality and consistency of end-user experience, particularly for Open Banking-enabled payments.

One thing definitely worth mentioning is that the proposal failed to address improving 3DS. Although not mandated by PSD2, 3DS became the go-to mechanism for fulfilling the SCA requirement and, as such, has become ubiquitous across Europe.

Nevertheless, there is a lot to be encouraged by the PSD3. If data sharing is standardised, PSD3 will make an enormous difference in enabling all parties within the payment ecosystem to make more informed and accurate decisions about risk.

Although no precise schedule for PSD3 has been set, the final version will probably be available by the end of 2024. Normally, EU member states will have a transition period of 18 months after adoption. This means that PSD3 and PSR will likely come into force around 2026. In any case, the impacts of this pivotal milestone on the financial industry are so significant that they signal a whole new era.

Open Banking Journey in the UK

Open Banking was initially launched in the United Kingdom (UK) in 2017 as part of a package of improvements, shortly after the Competition and Markets Authority (CMA) concluded its market investigation into retail banking to implement certain remedies. In its 67-page report¹², the UK CMA revealed the complete dominance of the largest banks in the financial market, prompting the CMA to mandate that the nine largest banks in the UK collaborate to open up consumers' banking data with trusted third parties using secure data protocols. The nine mandated institutions (referred to as the CMA9) are: AIG Group UK, trading as First Trust Bank in Northern Ireland, Bank of Ireland (UK), Barclays Bank plc, HSBC Group, Lloyds Banking Group plc, Nationwide



Building Society, Northern Bank Limited, trading as DankseBank, The Royal Bank of Scotland Group plc (in Great Britain and Northern Ireland) and Santander.

Following the creation of an independent private entity, the Open Banking Implementation Entity (OBIE), funded by the CMA9 and overseen by the CMA, the FCA and Her Majesty's Treasury, a roadmap was put in place that set out the specific requirements of the 9 banking providers (the CMA9). In the course of the implementation timetable, the Roadmap was revised a few times. On 14th May 2020, CMA published the (final) updated version of the Roadmap for Open Banking. The Final Agreed Roadmap¹³ on Open Banking laid out the steps required to finalise the implementation process in an ecosystem of more than 200 third parties. Since the very beginning, the OBIE (now "Open Banking Limited" - OBL) has played a key role in the successful implementation of Open Banking in the UK by designing and implementing the architecture required to deliver the country's world-leading API standards and industry guidelines to drive competition, innovation and transparency in UK retail banking. Its efforts included the APIs, data structures, and security

The adoption of Open Banking continues at a rapid pace, with over 1 in 9 British consumers becoming active users of Open Banking-enabled products.

architectures and protocols that enabled developers to build applications which allow consumers to easily and securely share financial information held by their banks with third parties.

Both the actions taken by the OBIE and the EU directive, PSD2, aimed to drive innovation and competition, enhance the security of payments, as well as the protection of consumer data.

By January 2023, the 6 largest banking providers (Barclays, HSBC, Lloyds, Nationwide, NatWest and Santander) in the UK have fully implemented the standards required by the CMA to deliver Open Banking, helping provide innovative services to millions of account holders securely. The substantive completion¹⁴ of the CMA's Revised Roadmap signalled the start of a new phase for Open Banking. Completion of the Roadmap in January 2023 coincided with the fifth anniversary of PSD2, which made Open Banking a regulatory requirement in the UK.

It should be noted that the UK's rather different approach in mandating and enforcing a single Open Banking standard has allowed UK fintechs to overcome challenges much faster than other European and competitor jurisdictions. As a result of the concerted efforts and partnership between the OBIE, CMA9, the wider ecosystem, regulators and government, the tangible benefits of Open Banking-powered products are being delivered to over 8 million users today.

According to OBL's fifth Open Banking Impact Report, the adoption of Open Banking continues at a rapid pace, with over 1 in 9

British consumers¹⁵ becoming active users of Open Banking-enabled products.

The volume of Open Banking payments in the UK doubled in the first half of 2023, compared to the first six months of 2022, with a record 9.7 million payments made in June 2023, an increase of 88% on the same month in 2022.

The OBL Report, using data up to 30 June 2023, has revealed that more than nine million Open Banking payments made in June 2023 were an 88% increase on the same month last year. This robust growth signals a clear preference among the UK's consumers and small businesses using Open Banking solutions to manage their finances effectively, leading to the expansion of services in key areas such as payment choice, borrowing, and financial decision-making.

As of June 2023, there are 151 fully regulated firms with live-to-market Open Banking-enabled products and services in the UK. This is more than any country in the whole European Economic Area.

Seven years after the initial launch, and despite significant goals being reached, not everyone in the financial sector agrees that Open Banking is where it should be today. Nevertheless, 2024 is deemed a pivotal milestone as the OBIE moves to new arrangements agreed upon by the Joint Regulatory Oversight Committee (JROC). It aims beyond being a competition remedy and aims to harness commercial incentives to build on its successes.

Looking ahead to 2024's financial regulation in the European Union, Jan van Vonno, Tink's Head of Industry & Wallets, thinks that¹⁶ there are three very important upcoming regulatory milestones for 2024, which will be re-shaping the payments ecosystem over the next three to five years.

Firstly, the forthcoming Instant Payment Regulation has the potential to be a real game-changer. The European Commission's proposed Instant Payment Regulation will ensure real-time execution and settlement of payments across the entire eurozone.

In addition, the proposed European Digital Identity Regulation will come with the

introduction and EU-wide acceptance of a government-issued EU Digital Identity Wallet (EUDIW). As a big leap for identity authentication, the EUDIW will be accepted by banks, which will need to allow customers to use the EUDIW for SCA when initiating a payment or accessing their account online. It means that services similar to Sweden's BankID will become ubiquitous across the EU.

Finally, the European Payment Council's SEPA Payment Account Access (SPAA) scheme introduces a commercial framework for

Premium APIs to unlock differentiated payment capabilities and address challenges created by common current account limitations – such as daily payment limits. It will help to give banks an opportunity to generate a healthy return on their PSD2 investments.

Open Banking in the EU and UK may have started principally as a way to promote competition in the payments and banking industry. But, as we shall see in the coming chapter, today it is clear that its impact is much broader.

-
- 1 “Open Banking Impact Report,” Fifth Report, OBL, 19 October 2023 - <https://openbanking.foleon.com/live-publications/the-open-banking-impact-report-october-2023/>
 - 2 “Open Banking: How to Design for Financial Inclusion,” Ariadne Plaitakis and Stefan Staschen, Consultative Group to Assist the Poor (CGAP), World Bank, October 2020, Washington, USA. - <https://www.cgap.org/events/open-banking-how-to-design-for-financial-inclusion>
 - 3 “Open Banking and Financial Inclusion,” Magda Bianco and Maria Iride Vangelisti, “European Economy 2022 ed. – Banks, Regulation, and the Real Sector” (EE Journal), 18 April 2023 - <https://european-economy.eu/book/open-banking/>
 - 4 “Data Aggregators,” Federal Reserve Bank of Kansas City Payments System Research Briefing, Julian Alcazar and Fumiko Hayashi, p. 2, 24 August 2022 - <https://www.kansascityfed.org/Payments%20Systems%20Research%20Briefings/documents/9012/PaymentsSystemResearchBriefing22AlcazarHayashi0824.pdf>
 - 5 “Joint Statement by the European Commission and the European Central Bank Welcoming the European Parliament’s Adoption of the Payment Services Directive,” European Commission Press Release, 24 April 2007, Brussels - https://ec.europa.eu/commission/presscorner/detail/en/IP_07_550
 - 6 “New Rules on Payment Services for the Benefit of Consumers and Retailers,” European Commission Press Release, 24 July 2013, Brussels - https://ec.europa.eu/commission/presscorner/detail/en/qanda_23_3544
 - 7 “European Parliament Adopts European Commission Proposal to Create Safer and More Innovative European Payments,” European Commission Press Release, 8 October 2015, Brussels - https://ec.europa.eu/commission/presscorner/detail/en/ip_15_5792
 - 8 “Payment Services: Consumers to Benefit from Cheaper, Safer and More Innovative Electronic Payments,” European Commission Press Release, 12 January 2018, Brussels - https://ec.europa.eu/commission/presscorner/detail/en/ip_18_141
 - 9 “FAQ – Making Electronic Payments and Online Banking Safer and Easier for Consumers,” European Commission Press Q&A, 13 September 2019, Brussels - https://ec.europa.eu/commission/presscorner/detail/en/qanda_19_5555
 - 10 “EU Proposes Payments Sector Shake-up to Boost Fintechs,” Reuters, 28 June 2023 - <https://www.reuters.com/markets/currencies/eu-proposes-payments-sector-shake-up-legal-backing-digital-euro-2023-06-28/>
 - 11 “Modernising Payment Services and Opening Financial Services Data: New Opportunities for Consumers and Businesses,” European Commission Press Release, 28 June 2023, Brussels - https://ec.europa.eu/commission/presscorner/detail/%20en/ip_23_3543
 - 12 “Retail Banking Market Investigation Order 2017,” Competition and Markets Authority, 2 February 2017 - <https://www.gov.uk/government/publications/retail-banking-market-investigation-order-2017>
 - 13 “Retail Banking Market Investigation Order 2017: Notice of approval of changes to the Agreed Timetable and Project Plan,” Competition and Markets Authority, 14 May 2020 - https://www.openbanking.org.uk/wp-content/uploads/2021/04/Notice_of_proposed_changes_to_the_open_banking_roadmap_-_web_publication_-_cma_gov_uk_-_May_2020_-_pdf
 - 14 “Retail Banking Market Investigation Order 2017: Roadmap Completion Decision,” Competition and Markets Authority, 14 May 2020 - https://assets.publishing.service.gov.uk/media/63bed8958fa8f513b40f866c/BANKING_PROVIDERS_Roadmap_Completion_Decision_.pdf
 - 15 “Open Banking Impact Report,” 19 October 2023
 - 16 “Three Key 2024 Milestones in EU Payments Regulation,” Jan van Vonno, 21 December 2023 - <https://tink.com/blog/open-banking/eu-payment-regulation-2024/>



Global Open Banking Market

- Global Journey towards Open Finance
- Worldwide Market Size and Growth
- Europe is Leading the Way
- UK's Leadership in Bill Payments

02

Global Journey Towards Open Finance

The demand for Open Banking, a ground-breaking financial technology, has increased considerably during the COVID-19 pandemic. When the countries introduced social distancing measures during the pandemic, bank clients became much more inclined consequently to use online services and contactless payment methods, thus the development of online banking services accelerated. Currently, two global markets seem to dominate Open Banking's development: the United States and Europe. In one of its studies, a UK-headquartered fintech company, Konsentus, identified¹ the Middle East & North Africa (MENA) and Latin America as the more progressive areas for Open Banking implementations.

In a more recent and updated study², Konsentus found that there are more than 65 national Open Banking programs globally. The data in the study reveals that Open Banking has reached a significant milestone, with 68 countries (representing 35% of the world) either live or in development. In other words, one in three nations on the globe is already on the Open Finance journey. (Open Finance is defined as the next phase of Open Banking, which will go much further and possibly see firms sharing broader financial data via APIs for pension information, mortgages, loans, depots, trading accounts and offering products and services from external organisations).

Mike Woods, CEO of Konsentus, said³: "Given that Open Banking is in its infancy, the fact that 35% of the world is pursuing an Open Banking program is a testament to its relevance and importance in the global financial digitisation agenda. We anticipate this number will continue to grow and that Open Banking testing and implementation will intensify in 2024."

The Eastern Europe and Central Asian Network (EECAN), a cluster of 14 countries, is a key region to watch, with over 50% having a live or

active program. Asia, particularly Southeast Asia, will likely include new jurisdictions throughout 2024. The recent Konsentus study also shows that there is a clear regulatory push globally towards the new wave of financial data access with 64% of the Open Banking initiatives being mandatory via legislation. These are called regulatory-driven geographies.

Only a few markets (Canada, Switzerland, and China) are currently pursuing a market-led approach. They do not currently have formal or compulsory Open Banking regimes. However, policymakers in several of those countries are introducing a range of measures to encourage and accelerate the adoption of data-sharing frameworks.

The "Hybrid" approach is another reality. According to Konsentus, 26% of Open Banking initiatives lack formal regulation, but have strong regulatory support and a centralised program approach. This hybrid approach is proving particularly popular in Asian continent.

Over the last four to five months, we've seen many more countries looking to implement open data ecosystems. In markets where open data legislation is new, market proposition benefits are now better understood, and valuable lessons are being learned from early adopters.

Worldwide Market Size and Growth

Globally, the Open Banking market size was valued by Grand View Research at \$20.07 billion⁴ in 2022 and is expected to expand from 2023 to 2030 at a compound annual growth rate (CAGR) of 27.2%. The global Open Banking market size is projected to reach USD 135.17 billion by 2030. The market is growing in general due to the increasing collaboration partnerships between financial institutions and fintech companies.

The research shows that Europe, with a share of over 37.0% of global revenue, dominated the Open Banking industry in 2022. The



European growth can be accredited to the increasing requirement for improving online payment security in the region. Another aspect promoting market expansion in Europe is the government's directives for banking firms to compel the opening of APIs. Numerous prominent players in the region are further expected to fuel the European market growth.

Open Banking may still be in its infancy, but its user base is undoubtedly growing. The number of Open Banking users worldwide is increasing rapidly, at a rate of around 50% a year, according to the Statista report. They expect the global number of users to be 132.2 million⁵ in 2024, with Europe, predicted to be the largest Open Banking market. According to a Statista report, the growth of Open Banking is so rapid in Europe that the continent is expected to see nearly 64 million users in 2024. Europe had approximately 12.2 million Open Banking users in 2020. So, that would be an increase over 400% in just 4 years.

Europe is Leading the Way

Since Open Banking was initially launched in Europe, the Old Continent, as a more mature region, leads the surge in the take-up of API-based Open Banking services, with the best-established set of API connections of

any region. Of course, the major factor that boosts the market's growth is the government directives for European banks to mandatorily open APIs.

Juniper Research's latest Open Banking report predicts a market growth from \$57 billion in 2023 to \$330 billion⁶ by 2027. Europe is leading this trend, with 580 billion API calls expected by 2027. The study found that Europe's share of API calls is predicted to be 70% of the global total in 2027, with European consumers and businesses driving the growth. This is primarily due to Europe's regulator-led approach, which has created a standardised market with low barriers to entry.

In Europe, the number of TPP registrations offering services via Open Banking has notably increased, peaking between 2021 and 2022⁷. First-quarter figures for 2023⁸ confirm this growth:

- Sweden records the highest number of home-regulated Open Banking TPPs in continental Europe (39), followed by Germany (36).
- Italy and Spain account for the highest number of joint (total) TPPs (131), followed by Germany (130)
- France posted the highest increase in local TPPs this quarter (30), ranking third next to Poland

- The total number of Open Banking TPPs was the highest in the United Kingdom (221).

Development of new use cases, such as bill payments via Open Banking, will fuel adoption, given Open Banking’s simplicity of use compared to alternatives, such as card payments.

Nick Maynard, VP of Fintech Market Research at Juniper, said⁹, “Europe has led the way on Open Banking, and is an example of how regulator-led approaches can stimulate innovation. As a well-established market, Europe’s growth rate will dip compared to others. However, it will still serve as an innovation hub for Open Banking development.”

Although Europe seemed to be the driving force behind the early Open Banking movement, region-wise, it suffered from the lack of uniformity to some extent. The absence of standardisation across Europe has stifled innovation for quite some time. Because the regulation was written at an interbank level rather than the end-user experience being the driver of the legislative agenda, it led to different levels of maturity in member states.

UK’s Leadership in Bill Payments

However, implementation was easier in the UK, as there was a UK specification that all the industry players could work towards. Following a different Open Banking path from the EU member states, the UK has been more user-experience-oriented. This has led to innovative financial management and payment tools that transformed how millions of UK citizens manage their money more effectively. As a result, the UK today leads the rest of Europe when it comes to Open Banking; Statista last year reported¹⁰ that the number of API calls made by third-party providers using Account Servicing Payment Service Providers (ASPSP) Open Banking APIs increased from just under 2 million per month in 2018, to over 1 billion in 2022.

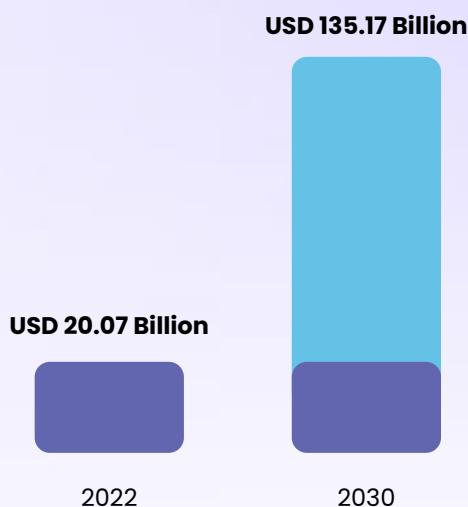
In another study¹¹, Open Banking Limited (OBL), the entity set up by the CMA in 2016 to deliver Open Banking, reveals that total Open Banking payments in the UK surpassed 11.4 million in July 2023. Comparing data for 2023 against 2022, OBL demonstrated that total payments have doubled, showing an exceptional 102.4% growth. Among the key drivers of growth are the government’s payment solutions and the onboarding of leading UK financial institutions and investment platforms.

The global market for Open Banking is segmented into banking & capital markets, payments, digital currencies, value-added services, and others. The payments segment dominates the market with the largest revenue share. Because, Open Banking allows shoppers to pay directly from their bank through an account-to-account payment. It is a quicker and more cost-effective alternative to other payment options such as card payments, direct debits or standing orders.

That’s why the payments segment is important. For Siamac Rezaiezadeh, VP of Product Marketing and Insights at GoCardless, Open Banking could reshape the financial and payments landscape at a more rapid pace, because it has the potential:

Global Open Banking Market

Market forecast to expand at a CAGR of 27.2%



Source: Grand View Research, June 2023

“Eleven million Open Banking payments in one month is a fantastic milestone, and it clearly shows the appetite from both consumers and businesses to send and receive payments in this way. (...) When you compare this to the billions of payments each year that go through direct debit and card systems, it’s obvious that Open Banking payments have a lot of room to grow.”¹²

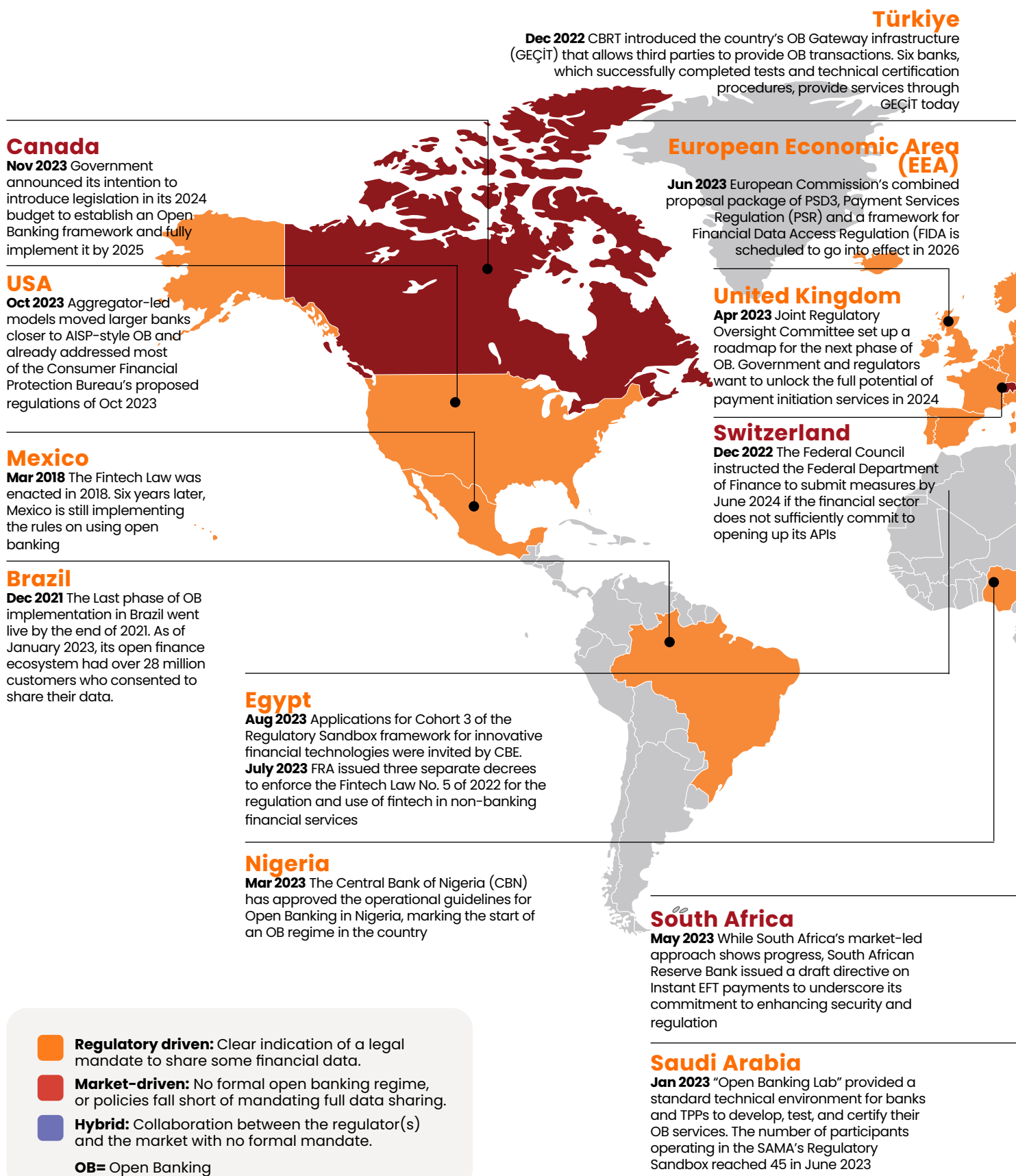
Bill payments are anticipated to contribute more, expanding the potential of Open Banking. Juniper Research’s “Open Banking (2023)” report predicts¹³ that the development of new use cases, such as bill payments via this method will be instrumental to ensuring the rising adoption of Open Banking, given its simplicity of use versus alternatives, such as

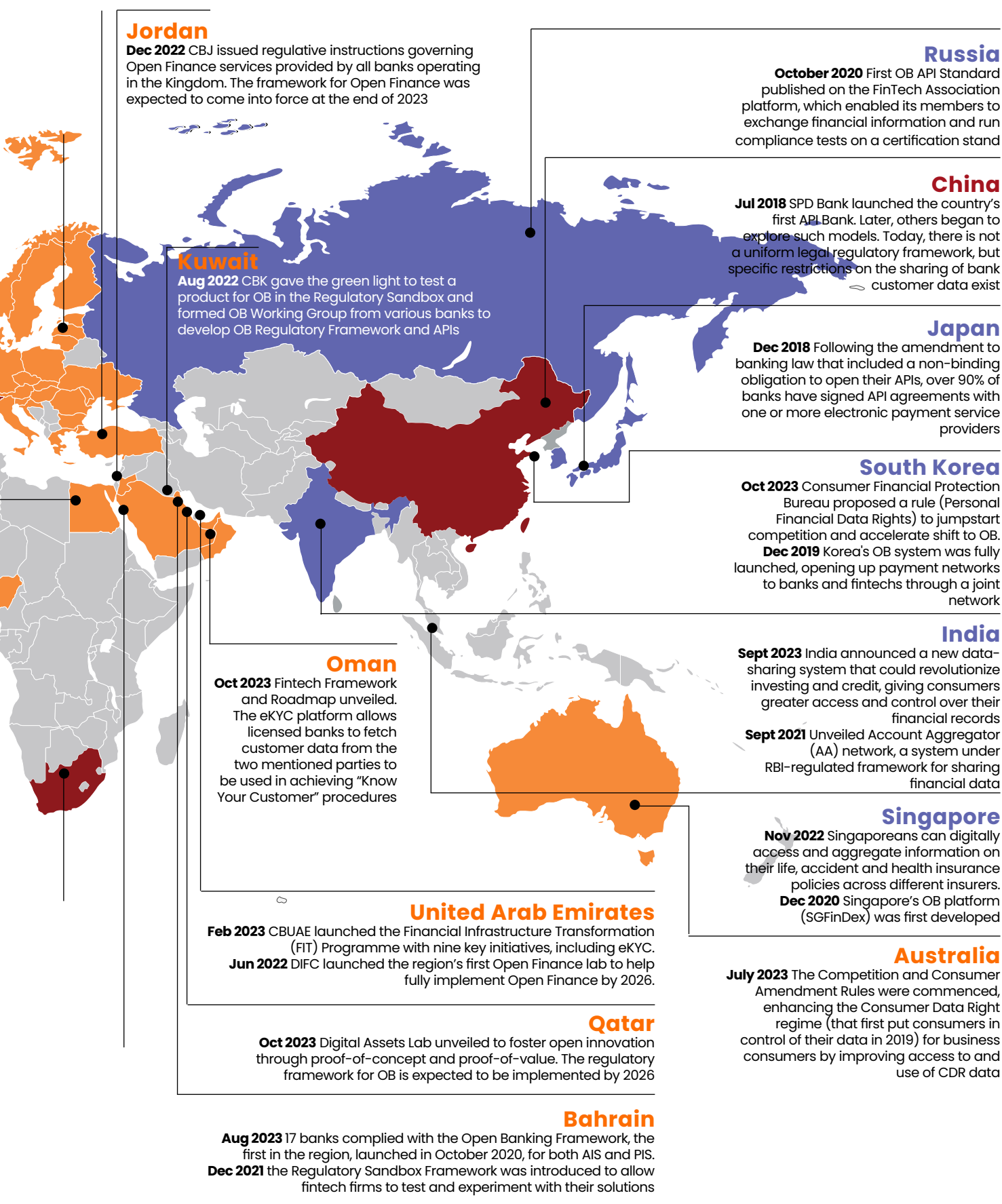
card payments. One of the most promising new use cases that will fuel the adoption is the ability to use Open Banking payments to pay tax bills, as introduced in the UK by HM Revenue and Customs (HMRC). The UK’s tax, payments, and customs authority introduced in 2020 “Pay by bank account” service, enabling individuals and businesses to pay taxes directly from their own accounts to HMRC, eliminating costly card charges. Just 10 months after the launch, more than one million payments had been made, worth more than £3 billion¹⁴.

As bill payments using Open Banking expand outside the UK, they are expected to account for more than \$59 billion¹⁵ in global transaction values by 2027.

-
- 1 “The World of Open Banking Map, February 2023,” Konsentus, 7 March 2023 - <https://www.konsentus.com/open-banking-world-map-feb-2023/>
 - 2 “The World of Open Banking and Open Finance: October 2023,” Konsentus, 12 October 2023- <https://www.konsentus.com/one-in-three-nations-now-on-open-banking-journey-konsentus-study-shows/>
 - 3 “One in Three Nations on the Open Banking Journey,” Konsentus Press Release, NewsRoom, 26 October, 2023, London - <https://www.konsentus.com/press-releases/one-in-three-nations-on-the-open-banking-journey/>
 - 4 “Open Banking Market Size To Reach \$135.17 Billion By 2030,” Grand View Research Press Release, Press Room, June 2023- <https://www.grandviewresearch.com/press-release/global-open-banking-market>
 - 5 “Open Banking Users Worldwide in 2020 with Forecasts to 2024, by Region,” Statista Research Department, 17 May 2023- <https://www.statista.com/statistics/1228771/open-banking-users-worldwide/>
 - 6 “Open Banking: Opportunities, Competitor Leaderboard & Market Forecasts 2023-2027,” Juniper Research Report, 6 February 2023, - <https://www.juniperresearch.com/research/fintech-payments/banking/open-banking-market-research-report/>
 - 7 “Number of Open Banking Third-Party Provider (TPP) Registrations in Europe from January 2019 to December 2022,” Statista Research Department, January 2023 - <https://www.statista.com/statistics/1214241/number-of-open-banking-third-party-registrations-in-europe/>
 - 8 “Q1 2023 Konsentus Third Party Provider Open Banking Tracker,” Konsentus, 2 May 2023- <https://www.konsentus.com/tpp-trackers/q1-2023/>
 - 9 “Open Banking Use to Increase 470% in Next Four Years, Driven from Europe,” Karl Flinders, Computerweekly, 5 May 2023- <https://www.computerweekly.com/news/366536815/Open-banking-use-to-increase-470-in-next-four-years-driven-from-Europe>
 - 10 “Number of Successful API Calls Made Using ASPSPs Open Banking APIs in UK 2018-2023,” Statista Research Department, 9 June 2023- <https://www.statista.com/statistics/1212259/successful-calls-made-by-tpps-using-account-providers-on-banking-apis-united-kingdom/>
 - 11 “Open Banking Reaches 11 million+ Payments Milestone,” Open Banking Ltd (OBL), 30 August 2023 - <https://www.openbanking.org.uk/news/open-banking-reaches-11m-payments-milestone/#:-:text=Open%20banking%2C%20the%20ground%2Dbreaking,adoption%20of%20open%20banking%20services>
 - 12 “Open Banking Achieves Landmark 11.4 Million Payments Milestone,” The Fintech Times, 30 August 2023- <https://thefintechtimes.com/open-banking-achieves-landmark-11-4-million-payments-milestone/>
 - 13 “Open Banking: Opportunities, Competitor Leaderboard & Market Forecasts 2023-2027,” Juniper Research, February 2023,- <https://www.juniperresearch.com/research/fintech-payments/banking/open-banking-market-research-report/>
 - 14 “HMRC Becomes the First Tax Authority,” Client Story, Cap Gemini study- <https://www.capgemini.com/news/client-stories/hmrc-becomes-the-first-tax-authority-in-the-world-to-launch-open-banking-payments/>
 - 15 “Open Banking Payments Transactions to Surpass \$330 Billion Globally by 2027,” Juniper Research Press Release, 13 February 2023- <https://www.juniperresearch.com/press/open-banking-payments-transactions-to-surpass-330/>

The Global Map of Open Banking & Open Finance





Jordan

Dec 2022 CBJ issued regulative instructions governing Open Finance services provided by all banks operating in the Kingdom. The framework for Open Finance was expected to come into force at the end of 2023

Kuwait

Aug 2022 CBK gave the green light to test a product for OB in the Regulatory Sandbox and formed OB Working Group from various banks to develop OB Regulatory Framework and APIs

Oman

Oct 2023 Fintech Framework and Roadmap unveiled. The eKYC platform allows licensed banks to fetch customer data from the two mentioned parties to be used in achieving "Know Your Customer" procedures

United Arab Emirates

Feb 2023 CBUAE launched the Financial Infrastructure Transformation (FIT) Programme with nine key initiatives, including eKYC.
Jun 2022 DIFC launched the region's first Open Finance Lab to help fully implement Open Finance by 2026.

Qatar

Oct 2023 Digital Assets Lab unveiled to foster open innovation through proof-of-concept and proof-of-value. The regulatory framework for OB is expected to be implemented by 2026

Bahrain

Aug 2023 17 banks complied with the Open Banking Framework, the first in the region, launched in October 2020, for both AIS and PIS.
Dec 2021 the Regulatory Sandbox Framework was introduced to allow fintech firms to test and experiment with their solutions

Russia

October 2020 First OB API Standard published on the FinTech Association platform, which enabled its members to exchange financial information and run compliance tests on a certification stand

China

Jul 2018 SPD Bank launched the country's first APiBank. Later, others began to explore such models. Today, there is not a uniform legal regulatory framework, but specific restrictions on the sharing of bank customer data exist

Japan

Dec 2018 Following the amendment to banking law that included a non-binding obligation to open their APIs, over 90% of banks have signed API agreements with one or more electronic payment service providers

South Korea

Oct 2023 Consumer Financial Protection Bureau proposed a rule (Personal Financial Data Rights) to jumpstart competition and accelerate shift to OB.
Dec 2019 Korea's OB system was fully launched, opening up payment networks to banks and fintechs through a joint network

India

Sept 2023 India announced a new data-sharing system that could revolutionize investing and credit, giving consumers greater access and control over their financial records
Sept 2021 Unveiled Account Aggregator (AA) network, a system under RBI-regulated framework for sharing financial data

Singapore

Nov 2022 Singaporeans can digitally access and aggregate information on their life, accident and health insurance policies across different insurers.
Dec 2020 Singapore's OB platform (SGFinDex) was first developed

Australia

July 2023 The Competition and Consumer Amendment Rules were commenced, enhancing the Consumer Data Right regime (that first put consumers in control of their data in 2019) for business consumers by improving access to and use of CDR data

Open Banking in the Middle East

- Transformation in the MENA Region
- Regulators' Approach to Open Banking
- Bahrain / Saudi Arabia / United Arab Emirates / Qatar / Egypt / Oman / Kuwait / Türkiye / Jordan



Transformation in the MENA Region

Mobile connectivity remains fundamental in driving digital innovation for Open Banking. It empowers individuals and enterprises with a wide array of transformative technologies while aiding governments in delivering positive societal impacts. By the end of 2023, 5.6 billion people (69% of the global population) subscribed to a mobile service, representing an increase of 1.6 billion people since 2015. According to recent GSMA data, growth in mobile internet penetration has been even faster. At the end of 2023, 58% of the world's population used mobile internet, equating to 4.7 billion users – an increase of 2.1 billion since 2015.

MENA, on the other hand, has one of the world's highest mobile, internet and smartphone penetration rates and is home to a young, educated and growing population. A third of the population is under 30, and the number of unique mobile subscribers reached 415 million in 2022; data from the GSM Association, a non-profit industry organisation representing mobile network operators worldwide, underline a 65% penetration rate. By 2030, that number is expected to grow to 550 million and reach a penetration rate of 77%.¹ Smartphone adoption was 81% in MENA in 2023. By 2030, it (percentage of total connections excluding licensed cellular IoT) will reach 90%, just under the global average of 91%. Long story short, Open Banking can potentially transform the financial services realm in the MENA region.

Europe has been a source of inspiration for Middle Eastern regulators to take a leadership role in Open Banking innovation across the region. In recent years, this inspiration has produced fascinating roadmaps in making the financial landscape of the Middle East evolve into a robust framework that fosters innovation, competition, and efficiency. This evolution offers not just an opportunity to boost economic activity but also a chance to

address the financial exclusion faced by 300 million people above the age of 15, who are underserved by the current banking system and do not own a financial account in the Middle East and North Africa (MENA).

The region's embrace of the mobile technology gives it substantial potential as a market for digital financial products, and it is capitalizing on this advantage. Another paramount factor in Open Banking is trust. High trust in financial services companies generally stems from strong market performance, fee compression, tech-enabled transparency, greater access to markets, and new personalized products. According to a survey² conducted by Statista, the Middle East proves itself a beacon of trust in the financial sector.

The study showed that among more than 75 thousand consumers across 32 nations worldwide, the Kingdom of Saudi Arabia (KSA), Qatar, and the United Arab Emirates (UAE) were the fifth, seventh and tenth most trustworthy regions in the financial sector. These rankings spotlight not only the genuine faith customers in these countries attach to their financial institutions but also the profound relationship and bond banks have cultivated with their clientele over the years. So, trust seems to be another invaluable asset for the region on the way to open finance.

While the financial landscape has evolved, especially since 2022, Open Banking is creating new opportunities for consumers and businesses across the region. Türkiye –as a META country– looks to be leading the way with its six banks, which have already launched their open banking services via the Central Bank's Gateway in December 2022.

Economic powerhouses like Saudi Arabia, the United Arab Emirates, and Bahrain incorporated Open Banking into their visionary economic programs. Progress has been fast especially in the Gulf Cooperation Council (GCC) countries. The number of fintech hubs in the GCC has risen from just one in 2018 to four in 2022.

Egypt, Oman and Jordan are in the initial phases of developing regulatory frameworks to unlock the potential of fintech innovation. Several other countries in the region are determined to embrace this transformative technology preparing to adopt Open Banking frameworks.

As a result, the region that has long been dominated by mobile payments, mobile money transfers and remittances also look promising in the Open Banking area. Still, only 17%³ of consumers in the Middle East use digital banking, compared with almost 60% in the United States.

However, with its growing fintech sector, tech-savvy young population, high rate of smartphone usage, and leadership's economic vision, the region is in a prime position to leapfrog global markets in open banking. Plus, recent announcements from the countries in the region regarding their open banking framework are considered significant steps toward a better regulatory climate. A better regulatory environment will bring MENA more investment and innovation into the digital finance, which will help many local fintech companies continue to broaden their footprint across MENA and beyond, albeit with an emphasis on profitability.

So, if macroeconomic conditions are not unfavourable too, it will not be surprising to see 2024-26 as a breakout period for Open Banking in the Middle East, with a lot of imminent and foreseeable progress on the horizon and a growing interest in diversification.

All these factors contribute to the projected growth of MENA's Open Banking market between 2022 and 2027. The region's Open Banking market size is estimated -by Fintech Galaxy- between \$400 million in 2022, forecasted to reach \$1.17 billion by 2027 with a 25% average CAGR.⁴

When it comes to open finance—the next step of open banking—the future holds a better prospect for MENA. The regional Open Finance market is forecasted to grow with an average

MENA's Open Finance market is estimated to grow with an average CAGR of 45% to reach \$11.74 billion by 2027, as the global market is forecasted to reach \$572.98 billion by then.

CAGR of 45% to reach \$11.74 billion by 2027. (The global Open Finance market, on the other hand, is forecasted to reach \$572.98 billion in 2027 with a CAGR of 59%.)

Although not yet regulated, Open Finance goes beyond sharing basic bank account data, puts customers in MENA in full control of their financial data, and provides better-tailored personalised services based on data related to investments, insurance, taxes, pensions, mortgages, saving accounts, and much more. The growing appetite for Open Finance is driven mainly by government initiatives and digitally-aware consumers in MENA.

Regulators' Approach to Open Banking

Now, before we examine each country's particular progress in open banking so far, let's look at how regulators in the region approach Open Banking:

According to the Open Banking Policy of Bahrain Central Bank (CBB), "the vision is to expand the scope of traditional banking in Bahrain by promoting the adoption of latest digital trends and innovative financial service solutions. The CBB has worked with the industry to design and develop rules related to Open Banking. Bahrain Open Banking Framework (OBF) aims to ensure a higher degree of consistency in the implementation of these rules by providing a common set of technical and customer experience standards across the Open Banking participants."⁵



On the other hand, Saudi Central Bank (SAMA) believes open banking is “a new concept in the financial industry. It is the practice of enabling customers of financial institutions to share their financial data securely with a third-party provider, which in turn provides new and innovative financial services and products for customers. Moreover, open banking positively impacts the industry by strengthening the partnership between banks and fintechs. It also improves the financial infrastructure and guarantees customers better use of financial data.”⁶

UAE Central Bank’s vision for open finance is “to stimulate innovation across the UAE’s financial sector by encouraging more consent-driven, data-rich, collaborative, secure and customer-centric digital business and service models. Achieving this vision will give customers greater clarity and control to better manage their finances.”⁷

So, for the regional regulators, it looks like open banking gives the steering wheel to the customers for their financial data and helps achieve or get closer to achieving targets like:

- Financial inclusion
- Fruitful innovation
- Increased competition and collaboration
- Greater efficiency in financial services

It seems that addressing the needs of the underserved and underbanked is one of the most significant economic challenges facing the Middle East today. And financial institutions are very aware of that. Almost half of the eighteen central banks and monetary authorities surveyed for an Open Banking report of 2020 rated financial inclusion as their top priority⁸ for open banking in MENA. The report, co-authored by MENA Fintech Association’s (MFTA) Open Banking Working Group (led by Hakan Eroğlu of Mastercard) and the Arab Monetary Fund, insists that sustainable economic growth of this nature demands an ecosystem that provides scalable innovation by enabling financial service providers to reach entire populations and pass savings onto them.

Lastly, it should be emphasized that a better regulatory environment means not only increased competition and fruitful innovation but also more investment and innovation in digital finance in the Middle East. The amount of fintech investment in the MENA region reached⁹ \$448 million in 2021, with 108 transactions involving fintechs.

According to the F&D Magazine¹⁰, venture funding in fintech rose to \$925 million in the Middle East and North Africa region in 2022 from \$587 million in 2021, an increase of 58%. The funding in 2022 was across 131 deals compared with 124 deals in 2021: funding rounds are getting bigger. The sector’s share of venture funding increased from 21% in 2021 to 29% in 2022.

Although venture funding has fallen short of predictions due to evolving regulatory landscapes and current global economic challenges, fintech has remained a dominating sector for venture capital investment, especially over the past three years. If concerted efforts by MENA governments and businesses continue in the right direction regarding supportive regulations, market harmonization, human resources with the right skill sets, and partnerships, it is expected to stay that way.

Now, let’s go over the open banking journeys of some countries in the region.



BAHRAIN

Regulatory-driven

Inspired by the European PSD2, the UK's OBIE, and Australian Open Banking rules, the Central Bank of Bahrain (CBB) launched¹¹ the Open Banking Framework (OBF), the first in the region, in October 2020 for both account information (AIS) and payment initiation services (PIS). Laying a solid foundation for competition, innovation, and financial inclusion in the market, OBF outlines not just the overall governance framework for protecting customer information, but also detailed operational, technical (API-wise) and security-wise specifications and comprehensive customer experience guidelines.

Bahrain entered¹² the second phase of implementing its Open Banking Framework in September 2021. A few months later, CBB introduced¹³ its new Regulatory Sandbox Framework, which allowed fintech firms to test and experiment with their ideas and solutions related to the sector in a more efficient and effective environment.

This framework required retail banks and financial institutions nationwide to allow access to more data and comply with new requirements and guidelines by June 30, 2022.

In November 2022, the CBB granted Fintech Galaxy an open finance license¹⁴ in Bahrain, making it the first company in the country to receive formal approval for an open finance platform.

The country's conducive regulatory landscape has led to the growth of an open banking ecosystem. The industry now eyes the next wave of initiatives from Bahrain to open data for Open Finance, which will allow wholesale and corporate customers to leverage the capabilities of better digital financial services.

Despite its relatively small market, Bahrain has been playing a pioneering role in the financial services' transformation in the MENA region by regulating the participants' interaction under the Open Banking ecosystem. Bahrain's successful implementation of Open Banking should inspire other regulators around the region and the world.

As of August 2023, CBB has identified¹⁵ seventeen banks that are in compliance with the OBF.



SAUDI ARABIA

Regulatory-driven

The Saudi Central Bank strongly believes that Open Banking is one of the pillars of its Financial Sector Development Program¹⁶ under "Saudi Vision 2030." The bank first announced the "Open Banking Policy" in 2021, which covered the main objectives of implementing Open Banking and the stages of the Kingdom of Saudi Arabia's (KSA) Open Banking program.

After having considered other recognised open banking frameworks such as the UK standard, the EU PSD2 directive, Brazil's Open Finance regulation, and Bahrain's regime, as well as

local specificities of the Saudi market, the Saudi Central Bank (previously known as the Saudi Arabian Monetary Authority - SAMA) published¹⁷ the KSA Open Banking Framework (OBF) on November 2, 2022. Contributing to the Kingdom's aim to transform the country into a digitally enabled society, the local regulatory body also set deadlines for banks to comply with the Framework. SAMA mandated banks to make their Account Information Service (AIS) APIs available by the end of 2022 and the Payment Initiation Service (PIS) APIs by the end of March 2023.

In January 2023, SAMA launched¹⁸ the "Open Banking Lab" testing platform to accelerate the innovative development of open banking services in the Kingdom. The Lab provided a standard technical environment for banks and third-party players (TPPs) to develop, test, and certify their Open Banking services to ensure conformance with SAMA's OBF. The Central Bank then granted the green light to some companies to carry on their services through the Regulatory Sandbox in parallel with the ongoing work by SAMA in cooperation with the financial sector. The total number of participants operating in the SAMA's Regulatory Sandbox reached an impressive 45¹⁹ in June 2023. According to the Financial Stability Report (2023), Open Banking accounts for 75%²⁰ of new financial services tested in the Sandbox.

As the biggest market in the GCC in terms of banked population and digital payment transaction volume, Saudi Arabia is also one of the regional leaders in fintech growth. Its ambitious strategy aims to nearly triple the number of fintech companies from 82 in 2023 to 230 by 2025 while pushing the share of non-cash transactions to an impressive 70%.

The first release of the OBF focused on the AIS, and the second on the PIS. AIS enables third-party providers (TPPs) to access consumers' account data from various financial institutions with consumers' consent. The data types include account balances, transactions history, and other financial information.

Building on the grounds of AIS, Saudi Arabia is about to adopt the second phase of Open Banking, which centres around the PIS. In 2024, the ecosystem will benefit from diverse Open Banking use cases based on AIS and PIS. Saudi Arabia believes that Open Banking will not just offer efficient ways for the overbanked to handle their finances, but also allow greater financial inclusion by letting specialised fintechs focus their business models on the unbanked.



UNITED ARAB EMIRATES Regulatory-driven

MENA's overall regulatory landscape shows rapid improvement and development, and the UAE is no different. Consulting with the government and private entities about the long-term regulatory environment for Open Finance, the Central Bank of UAE is drafting a high-level regulatory framework. However, adopting a market-led approach, the UAE has made significant progress by implementing a live API standard to allow industry players to experiment in the Open Finance Lab²¹. In keeping with the Emirates' ambitious 'Vision 2030', the Lab was launched in June 2022 as an exploratory incubator for open finance solutions by the Dubai International Financial Center (DIFC). A total of four banks and one fintech company are scheduled to participate in the programme, including Commercial Bank of Dubai, First Abu Dhabi Bank, Mashreq Bank, National Bank of Ras Al-Khaimah and Zand. Powered by Tarabut Gateway, the first UAE-based platform for open finance activities, the Lab reaffirms UAE's commitment to being a global capital for financial services.

Prior to that, in November 2021, the Central Bank of the UAE (CBUAE), the Dubai Financial Services Authority (DFSA) of the Dubai International Financial Centre (DIFC), the Financial Services Regulatory Authority (FSRA) of Abu Dhabi Global Market (ADGM), and the Securities and Commodities Authority (SCA) had jointly issued "Guidelines for Financial Institutions Adopting Enabling Technologies."²²

In February 2023, the Central Bank of the United Arab Emirates launched a Financial Infrastructure Transformation Programme²³ (FIT Programme) with nine key initiatives. The Programme includes the implementation of an electronic KYC platform (eKYC) and an ambitious goal of achieving full implementation of Open Finance by 2026.

The first stage of the FIT Programme includes a series of digital payment infrastructures and services, such as the launch of a domestic card scheme, an Instant Payments Platform, and the issuance of Central Bank Digital Currency for cross-border and domestic uses. These digital payment initiatives are expected to drive financial inclusion, promote payment innovation, security and efficiency, and achieve a cashless society.



QATAR Regulatory-driven

The Qatar Central Bank (QCB) launched the country's Fintech Sector Strategy Summary in March 2023, in line with the country's National Vision 2030. The Strategy was built on a four-pillar approach²⁴ to become a leader in the financial services sector and, among other goals, at least triple the number of licensed fintech companies in the country in the next five years.

The pillars included:

- Establishing a pioneering infrastructure for financial technology.
- Prioritising innovation and growth in the financial technology sector.
- Developing human capabilities related to financial technology.
- Leveraging financial technology for broader societal benefits.

According to Sheikh Bandar Bin Mohammed Bin Saoud Al-Thani, Governor of the Qatar Central Bank, QCB has more than 20 initiatives²⁵ planned over the next five years as part of its Fintech Strategy. The initiatives include developing a new framework

and regulations to support the fintech ecosystem and enable firms to test emerging technologies through the regulatory sandbox. The strategy is meant to facilitate innovative products and services in the financial services industry.

As part of its ambitious Fintech Strategy, the QCB has also introduced the much-awaited Electronic Know Your Customer ("E-KYC") Regulation,²⁶ a secure and user-friendly platform to facilitate non-face-to-face customer on-boarding and ongoing customer due diligence. The E-KYC Regulation, applicable to the regulated entities licensed by the QCB, came into effect on October 9, 2023, mainly aiming to improve customer identification procedures.

In October 2023, the Qatar Financial Centre (QFC) unveiled²⁷ the Digital Assets Lab, powered by the QCB, to foster open innovation in Qatar through proof-of-concept and proof-of-value. The lab was developed as an innovative platform that is expected to accelerate the growth of Qatar's digital sector in line with the vision of establishing Doha as a global financial and commercial hub by 2030.

The regulatory framework for open banking, which will also ensure the secure sharing of customer data and obtaining customer consent, is expected to be implemented by 2026.

In the meantime, Qatar's financial institutions proactively explore ways to implement open banking and collaborate with fintech companies to introduce new services and products for customers. In June 2022, Qatar National Bank (QNB), the largest financial institution in the Middle East and Africa, took the lead²⁸ by announcing the launch of its dedicated Open Banking Platform, enabling customers and partners to access their APIs. In fact, QNB has been exploring the Open Banking space for some time; its partnership with Ooredoo on Ooredoo Money was an example of both open banking and fintech partnership in providing financial services for the masses.



EGYPT

Regulatory-driven

Egypt is the largest market in MENA, accounting for 26% of the region's population. With the highest unbanked population standing at 67% and mobile subscriptions as a percentage of the total population at 93%, Egypt has the potential to grow into a vibrant local fintech ecosystem, accelerating financial inclusion in the country.

In line with the country's National Vision for 2030, that's how the Central Bank of Egypt (CBE) thought in 2019 and adopted a strategy to encourage the development of its fintech ecosystem. Publishing the "Fintech and Innovation Strategy -December 2019"²⁹ document, CBE unveiled its fintech vision for Egypt to be "a regionally recognised fintech hub in the Arab world and Africa, home to next-generation financial services, talent and innovation development."

Egypt's regulatory situation on open banking is not yet formalised. Still, the CBE is committed to identifying and prioritising initiatives to implement an inclusive and effective open finance strategy.

Acting as the live testing ground for startups, the CBE's Regulatory Sandbox started its first cohort³⁰ in June 2019. All fintech companies specialising in e-KYC solutions were invited to apply and experiment with the digital onboarding of mobile payment subscriber solutions under the CBE Regulatory Sandbox principles and eligibility criteria.

In October 2021, the CBE announced new regulations³¹ allowing people to make instant electronic payments between bank accounts using mobile phones. A new network, planned to be launched by the end of 2021, to also enable customers to manage all their bank accounts and complete their transfers with any bank through a single application.

In November 2022, the CBE launched its financial inclusion strategy³² for 2022-2025, which set key objectives and priorities for fostering financial inclusion in the country. It

is basically a national development plan that focuses on expanding access to financial services, developing financial literacy, and facilitating the introduction of innovative financial products that meet the needs of consumers as well as micro, small, and medium-sized enterprises (MSMEs).

On the other hand, the Egyptian Financial Regulatory Authority (FRA) is doing its best to facilitate faster and easier access to new financial solutions by encouraging the use of fintech. On 11 July 2023, the FRA issued three separate decrees³³ to enforce the Fintech Law No. 5 of 2022, which set out the framework for developing and using financial technologies in non-banking financial services and activities. The decrees also address issuing digital identities, records, contracts, and accounts for online non-banking financial transactions.

Within the last five years, innovative startups and Payment Service Providers (PSPs) have increased by 5.5 times³⁴ due to the rising demand for fintech and fintech-enabled solutions in the Egyptian market. Fintech investments in Egypt hit US\$259 million in 2022, a 12.6% increase versus the previous year. Once the digital readiness barriers are addressed and low financial literacy is challenged, Egypt can get more fintech investments and position itself as the regionally recognised fintech hub, paving the way for a digital future and a prosperous economy.



OMAN

Regulatory-driven

The framework enabling the introduction of Open Banking is currently being formulated by the Central Bank of Oman (CBO). The CBO unveiled in December 2020 the Fintech Regulatory Sandbox³⁵, a closed testing environment—where participants (financial institutions, start-ups, and local and international fintech companies) can live test their innovative products and services in a safe and controlled environment.

In the first phase, the Sandbox received an overwhelming response from participants with innovative payment solutions. One of the standout participants was OM Pay, the first to complete its tenure in the FRS in August 2022. OM Pay introduced a digital payment solution that includes a mobile application facilitating person-to-person in-chat fund transfers and enabling payments at selected merchants through QR code or NFC technology.

The second phase was about distributed ledger technology (blockchain) for trade finance, and the third was dedicated to digital lending solutions in the Omani market so that CBO could develop policies in this area through the test-and-learn approach.

The CBO started working internally in 2023 to draft the Open Banking API Strategy for the sector, which will establish the technical, data, and security standards and select vendors and licensed banks (external stakeholders) through the Oman Banks Association.

In October 2023, the CBO unveiled the comprehensive “Fintech Framework and Roadmap”³⁶ to support fintech-based products and services, underlining its commitment to creating a dynamic digital financial ecosystem in the country. Aligned with Oman’s 2040 Vision, this proposed fintech ecosystem is expected to play a pivotal role in supporting the growth of small and medium-sized enterprises (SMEs) and nurturing innovation-driven entrepreneurship. The initiatives include Fintech Innovation Hub and Cloud Computing Framework as well as National e-KYC and Customer Digital onboarding. The eKYC platform currently allows licensed banks to fetch customer data from the two mentioned parties to achieve the “Know Your Customer” procedures. By digitizing and streamlining customer identification and verification processes, eKYC initiatives enable financial institutions to onboard customers more swiftly and securely while complying with regulatory requirements.



KUWAIT Market-driven

In Findexable's Global Fintech Index for 2021, Kuwait was ranked 238th³⁷ out of 264 centres worldwide and in last place in the Middle East and North Africa (MENA) region.

Although Kuwait seems to rank last in the region as a fintech destination, new regulations on digital banking introduced by the Central Bank of Kuwait (CBK) in February 2022 were expected to be a game-changer for both digital banking and the local fintech scene in general.

The country's Central Bank has been instrumental in driving change. In 2018, the Central Bank of Kuwait (CBK) introduced its own Regulatory Sandbox in partnership with local banks. This sandbox enabled participants to test innovative fintech products and services in a secure environment with relaxed regulatory and licensing requirements. Kuwait took an approach that combined open banking with Europe's General Data Protection Regulation (GDPR) to ensure the protection of consumer data. In 2019, the sandbox was expanded to accommodate a broader range of products and services.

Although progress was initially slow, 2022 turned out to be a productive year for open banking initiatives.

That year, the CBK introduced new regulations on open banking, banking-as-a-service, and cloud computing. It also started receiving applications from new digital banks to issue licenses, potentially opening the way for challenger banks to step in.

The CBK also announced³⁸ four companies as having “graduated” from the sandbox: electronic Know-Your-Customer solutions provider FRM Tech Labs; money exchange services aggregator Xent; buy-now-pay-later provider Taly; and open-banking ancillary service provider Spare. An app designed to encourage people to adopt smart and sound financial habits, Spare will be integrated with all major banks, not just in Kuwait but also in

Bahrain³⁹, to allow users to connect multiple bank accounts and monitor all balances, track spending across selected accounts, set budgets, and make payments easily and securely.

In August 2022, CBK gave the green light to test a first-of-its-kind product by launching it in the local market within the Regulatory Sandbox and applying it to banking transactions of volunteer customers to fully assess and evaluate the product before the final launch in the market. The product operates⁴⁰ within an Open Banking Model. It provides the users with analytical services for transactions processed on their bank accounts with different banks, along with e-payment services.



TÜRKİYE

Regulatory-driven

Turkey's advanced infrastructure in information technology, telecommunications, and finance has positioned the local fintech industry as a significant market. As of February 2023, 637 fintech companies actively operate in Türkiye⁴¹. Two hundred fifty-five are in the payments vertical, followed by decentralized finance and banking technologies. Türkiye received a start-up investment of \$1.6 billion⁴² in 2022. It was included in the Super League category, where countries with an investment of \$1-10 bn are listed. According to data, Türkiye ranks 10th in Europe and 3rd in the MENA.

Open Banking has been functional for some time in Türkiye, and 2022 appeared to be a turning point. The Central Bank of the Republic of Türkiye (CBRT) introduced its Open Banking infrastructure⁴³, with participating banks able to start providing services through its Gateway (GEÇİT) on December 1st, 2022.

Developed by the Interbank Card Center (ICC), Turkey's Open Banking Gateway allows third parties to provide Open Banking transactions securely and efficiently. At the time of the announcement, six banks, as account servicing payment service providers, had successfully completed tests and technical certification

procedures and started to provide services through GEÇİT.

The CBRT's "Guide to Data Sharing Services in Payment Services" on "open banking" services defines two activities⁴⁴ as open banking activities: "Payment Initiation Service-PIS" and "Account Information Service -AIS."

Payguru, the first fully licensed mobile payment company in Türkiye, is among the fintech companies that applied for an Open Banking license. The Istanbul-based fintech company was acquired in 2020 by TPAY Mobile, the leading digital merchant acquirer in the Middle East and Africa. Payguru (TPAY Türkiye) offers mobile payments, ATM cash payments, and bank transfer services to its merchants through its integration with Türkiye's three mobile network operators (Turkcell, Vodafone, and Türk Telekom) and eight major banks in Türkiye (Ziraat Bankası, Yapı Kredi Bankası, Türkiye İş Bankası, Garanti Bankası, Akbank, TEB Paribas, Vakıfbank and QNB Finansbank). Payguru is currently going through open banking-related tests on GEÇİT and is expected to be granted a license for PIS sometime in 2024.



JORDAN

Regulatory-driven

The Central Bank of Jordan (CBJ) established a committee to draft instructions to regulate Open Banking services in the financial sector in Jordan, which included members from the banking supervision department, payment department, and oversight on the national payment system department. In December 2022, the CBJ, based on the feedback from banks and PSPs, issued⁴⁵ regulative instructions governing Open Finance services provided by all banks operating in the Kingdom.

The new framework for Open Finance was an essential step toward empowering fintech firms TPPs to deliver cutting-edge financial services within the country and was expected to come into force at the end of 2023. The new instructions mandated banks, online payment and electronic money transfer companies operating in the Kingdom to grant authorized

TPPs direct and secure access to customer data and accounts through Application Programming Interfaces (APIs). Within this framework, all financial entities were required to implement the provisions to become regulatory compliant by the end of 2023. The Regulation includes two types of services: AIS (Account Information Service) and PIS (Payment Initiation Service).

According to Dmitri Barbasura,⁴⁶ Chief Operating Officer at Fintech Galaxy, the biggest innovation of Jordan's regulation is that the services are not limited by the account types. This means that Open Finance gear can start working in full motion to extend the existing use cases and to include a myriad of new ones, including insurance, mortgage, utility providers services, and many other non-banking services.

-
- 1 "The Mobile Economy Middle East & North Africa 2023," GSMA Report, p. 11, 2023 - <https://www.gsma.com/mobileeconomy/wp-content/uploads/2023/12/051223-Mobile-Economy-Middle-East-and-North-Africa-2023.pdf>
 - 2 "Bank Consumer Trust Worldwide 2023, by Country," Statista Research Department, 28 August 2023 - <https://www.statista.com/statistics/1097139/consumer-trust-score-of-banks-worldwide-by-country/>
 - 3 "Unleashing Mideast Finance," Amjad Ahmad, F&D Magazine, International Monetary Fund, p. 25, September 2023 - <https://www.imf.org/en/Publications/fandd/issues/2023/09/unleashing-mideast-fintech-amjad-ahmad>
 - 4 "MENA Report: From Open Banking to Open Finance," Fintech Galaxy, 2022 - <https://form.typeform.com/to/ytQHcaL3?typeform-source=www.fintech-galaxy.com>
 - 5 Bahrain Open Banking Framework Confluence web page, Central Bank of Bahrain - <https://bahrainob.atlassian.net/wiki/spaces/BH/overview?homepageId=295043>
 - 6 "SAMA Issues Open Banking Framework," Saudi Gazette, 2 November 2022 - <https://saudigazette.com.sa/article/626581>
 - 7 Open Finance web page, Central Bank of the UAE - <https://www.centralbank.ae/en/our-operations/fintech-digital-transformation/open-finance/>
 - 8 "Open Banking: A Vision from the Arab World," MENA Fintech Association and Arab Monetary Fund, November 2020 - <https://www.mastercardservices.com/en/advisors/archived-practices/open-banking/insights/open-banking-vision-arab-world>
 - 9 "Fintech in the Middle East: Building on the Momentum," Jorge Camarate, Strategy&, PwC Middle East, 2022 - <https://www.strategyand.pwc.com/m1/en/strategic-foresight/sector-strategies/financial-services/fintech-in-the-middle-east/fintech-middle-east.pdf>
 - 10 "Unleashing Mideast Fintech," p. 26 - <https://www.imf.org/en/Publications/fandd/issues/2023/09/unleashing-mideast-fintech-amjad-ahmad>
 - 11 "CBB launches the Bahrain Open Banking Framework," The Central Bank of Bahrain Press Release, 28 October 2022 - <https://www.cbb.gov.bh/media-center/cbb-launches-the-bahrain-open-banking-framework/>
 - 12 "CBB issues circular regarding the second phase of Bahrain Open Banking Framework," The Central Bank of Bahrain Press Release, 15 September 2021 - <https://www.cbb.gov.bh/media-center/cbb-issues-circular-regarding-the-second-phase-of-bahrain-open-banking-framework/>
 - 13 Central Bank of Bahrain Enhances Fintech Regulatory Sandbox to Boost Innovation, The Central Bank of Bahrain Press Release, 7 December 2021 -
 - 14 "Fintech Galaxy receives license from the Central Bank of Bahrain," Zawya Press Release, 3 November 2022 - <https://www.zawya.com/en/press-release/companies-news/fintech-galaxy-receives-license-from-the-central-bank-of-bahrain-to-become-the-first-central-bank-regulated-open-finance-platform-shxn0x1j>
 - 15 "Embracing Open Banking: A gateway to fintech innovation in the Middle East," Elias Al Helou, Middle East Economy magazine, 21 August 2023 - <https://economymiddleeast.com/news/embracing-open-banking-a-gateway-to-fintech-innovation-in-the-middle-east/>
 - 16 "SAMA Issues the Open Banking Policy," SAMA Press Release, 10 January 2021 - <https://www.sama.gov.sa/en-US/News/Pages/news-642.aspx>
 - 17 "SAMA Issues the Open Banking Framework," SAMA Press Release, 2 November 2022 - <https://www.sama.gov.sa/en-US/News/Pages/news-794.aspx>
 - 18 "Saudi Central Bank Launches Open Banking Lab," SAMA Press Release 4 January 2023 - <https://www.sama.gov.sa/en-US/News/Pages/news-807.aspx>
 - 19 "Inside Saudi Arabia's Open Banking Boom: A 2023 Snapshot," Kshitija Kaur and Risav Chakraborty, Whitesight, 20 December 2023 - <https://whitesight.net/inside-saudi-arabias-open-banking-boom-a-2023-snapshot/>
 - 20 "Financial Stability Report 2023," Financial Stability Department, Saudi Central Bank, p. 50, 2023 - <https://www.sama.gov.sa/en-US/EconomicReports/Financial%20Stability%20Report/Financial%20Stability%20Report%202023.pdf>

- 21 DIFC Launches the Region's First Open Finance Lab", Dubai International Financial Centre Press Release, 28 June 2022 - <https://www.difc.ae/whats-on/news/difc-launches-regions-first-open-finance-lab-reaffirming-its-position-top-global-fintech-hub>
- 22 "UAE Regulatory Authorities Jointly Issue Guidelines for Financial Institutions Adopting Enabling Technologies," Dubai Financial Services Authority, 15 November 2021 - <https://www.dfsa.ae/news/uae-regulatory-authorities-jointly-issue-guidelines-financial-institutions-adopting-enabling-technologies>
- 23 "CBUAE launches a Financial Infrastructure Transformation Programme," the Central Bank of the U.A.E. Press Release, 12 February 2023 - <https://www.centralbank.ae/media/mdupathy/cbuae-launches-a-financial-infrastructure-transformation-programme-to-accelerate-the-digital-transformation-of-the-financial-services-sector-en.pdf>
- 24 "QCB Launches Qatar FinTech Strategy 2023," Qatar News Agency, 7 March 2023 - <https://www.qna.org.qa/en/News-Area/News/2023-03/07/0059-qcb-launches-qatar-fintech-strategy-2023>
- 25 "Qatar Central Bank's Digital Agenda," The Banker, 27 October 2023 - <https://www.thebanker.com/Qatar-Central-Bank-s-digital-agenda-1698391783>
- 26 "Qatar Central Bank Issues eKYC Identity Verification Procedures," Qatar News Agency, 15 October 2023 - <https://www.qna.org.qa/en/News-Area/News/2023-10/15/0052-qatar-central-bank-issues-ekyc-identity-verification-procedures>
- 27 "QFC Unveils the Digital Assets Lab," Qatar Financial Centre Press Release, 29 October 2023 - <https://www.qfc.qa/en/media-centre/news/list/qfc-unveils-the-digital-assets-lab-powered-by-qcb-to-facilitate-open-innovation-in-qatar>
- 28 "QNB the First Bank in Qatar to Launch Open Banking Platform," QNB Press Release, 16 June 2022, - <https://www.qnb.com/sites/qnb/qnbglobal/en/ennews16june-news>
- 29 "Highlights of The Central Bank of Egypt's Fintech and Innovation Strategy," Central Bank of Egypt, December 2019, Cairo - <https://www.cbe.org.eg/-/media/project/cbe/page-content/rich-text/financial-inclusion/814-central-bank-of-egypts-fintech-strategyv15-1.pdf>
- 30 "The CBE's Regulatory Sandbox Started its First Cohort in 'e-KYC' to Empower the Fintech Ecosystem in Egypt," Fintech Egypt, 10 July 2019 - https://fintech-egypt.com/news/news_details.php?id=10
- 62 "Egypt Central Bank Approves Instant Payment Regulations," Reuters, 8 November 2021 - <https://www.reuters.com/business/finance/egypt-central-bank-approves-instant-payment-regulations-2021-11-08/>
- 31 "Egypt's New Financial Inclusion Strategy," Fintech News Africa, 19 December 2022 - <https://fintechnews.africa/41441/fintech-egypt/egypts-new-financial-inclusion-strategy/>
- 32 Egypt's Financial Regulatory Authority issues new decrees to boost fintech ecosystem," Waya Media, July 13, 2023 - <https://waya.media/egypts-financial-regulatory-authority-issues-new-decrees-to-boost-fintech-ecosystem/>
- 33 "Egypt Fintech Landscape Report 2023," Central Bank of Egypt, p. 22, 2023 - <https://fintech-egypt.com/FinTechEgypt2023/Landscape-Report-2023-En-digital.pdf>
- 34 "2022 Annual Report of the Central Bank," Central Bank of Oman, p.83, 2022 - <https://cbo.gov.om/sites/assets/Documents/English/Publications/AnnualReports/Annual%20Report%202022%20ENG.pdf>
- 35 "Central Bank of Oman Unveils Ambitious Fintech Framework & Roadmap," CEO Times, 3 October, 2023 - <https://ceotimes.net/2023/10/03/central-bank-of-oman-unveils-ambitious-fintech-framework-roadmap/>
- 36 Global Fintech Rankings Report: Bridging the Gap," Findexable, p. 58, - 29 June 2021, <https://findexable.com/2021-fintech-rankings/>
- 37 "Kuwait Stands at the Dawn of a New Digital Banking Era," John Everington, The Banker magazine, 25 March 2022 - <https://www.thebanker.com/Kuwait-stands-at-the-dawn-of-a-new-digital-banking-era-1648197117>
- 38 Kuwait's Spare Gets License as 'Open Banking Ancillary Service Provider' in Bahrain," GCC Business News, 8 May 2022 - <https://www.gccbusinessnews.com/kuwait-spare-gets-license-as-open-banking-ancillary-service-provider-in-bahrain/>
- 39 "CBK to Test a First-of-its Kind Product for Open Banking within the Regulatory Sandbox," Central Bank of Kuwait Press Release, August 25, 2022 - <https://www.cbk.gov.kw/en/cbk-news/announcements-and-press-releases/press-releases/2022/08/202208250858-cbk-to-test-a-first-of-its-kind-product-for-open-banking-within-the-regulatory>
- 40 "Türkiye Fintech Guide 2023," Presidency of the Republic of Türkiye Finance Office, p. 12, 2023 - <https://www.cbfo.gov.tr/sites/default/files/docs/2023-03/turkiye-fintech-guide.pdf>
- 41 "Türkiye Fintech Guide 2023," p. 9.
- 42 Open Banking Press Release, No: 2022-48, The Central Bank of the Republic of Türkiye, 1 December 2022 - <https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/Announcements/Press+Releases/2022/ANO2022-48>
- 43 "The Guide to Data Sharing Services in Payment Services," The Central Bank of the Republic of Türkiye, 30 April 2023 - <https://www.tcmb.gov.tr/wps/wcm/connect/d60cc679-ce04-4941-b310-b3788b6f3540/%C3%96HVPS-Rehber-2023-04-30.pdf?MOD=AJPERES>
- 44 "Central Bank Issues Instructions to Regulate Open Finance Services," The Jordan Times, 11 December 2022 - <https://www.jordantimes.com/news/local/central-bank-issues-instructions-regulate-open-finance-services>
- 45 "Jordan's Regulation of Open Finance Services: Trailblazing the innovative path," Dmitrii Barbasura, 17 January 2023 - <https://www.finextra.com/blogposting/23584/jordans-regulation-of-open-finance-services-trailblazing-the-innovative-path>

Challenges & Opportunities for Open Banking

- Obstacles for Banks & Fintechs
- Potential Opportunities for Merchants
- Conclusion

Obstacles for Banks & Fintechs

Although the last couple of years brought significant Open Banking regulatory developments and innovative initiatives, its adoption brings to the forefront several challenges and risks that stakeholders must adeptly navigate.

Potential challenges and risks associated with Open Banking adoption differ from one region to another. However, data security and trust issues are major obstacles across the globe.

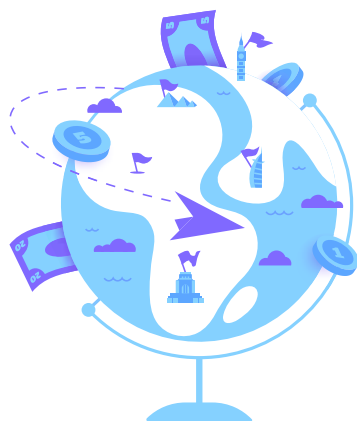
Concerns regarding the growing number of cyberattacks and online fraud should be treated with the utmost seriousness. Because the financial data is shared with third parties via APIs, there are risks of data breaches and unauthorised access. A lack of proper technical standards and data-sharing formats may make operational processes susceptible to security breaches and fraudulent activities and pose a direct threat to customer data. Since customer data privacy and security practices are fundamental to the success of Open Banking, strong security measures should be taken by both financial institutions and TPPs. They must implement robust cybersecurity protocols to safeguard data against breaches and unauthorised access. Open Banking APIs should meet the standards not just in terms of technical requirements but also in terms of performance, scalability, and data formats.

The low percentage of bank and fintech partnerships is another obstacle holding Open Banking back in the MENA region. One reason is the fear of the rise of new competition banks confronted. Some banks hesitate to cooperate with tech-savvy firms luring customers by offering innovative, unbundled financial products and services.

However, if the lack of willingness on behalf of banks is not overcome and if banks don't meet this thread head-on, review their legacy systems, and start taking action about the interoperability challenges and technological readiness, they might see their market share eroding, customer churn increasing, and their profits being under more pressure.

Plus, with open APIs, incumbent banks are increasingly at risk of being commoditised. Banks face the prospect that many of their customers may seek out the convenience of third-party providers, resulting in the migration of their accounts and profit pools along with them.

However, improved collaboration and the formulation of revenue-sharing partnerships between banks and fintech partners based on equitable and mutually advantageous agreements are needed to actively engage in and contribute to the growth of Open Banking.



Another challenge that stakeholders must adeptly navigate in MENA is the regulatory complexities. The diversity in regulatory environments across the region's countries poses a harmonisation challenge, calling for legal adjustments in data privacy and security laws specific to Open Banking. This requires local and regional governments and regulators to come together to address a lack of standardisation and inconsistent levels of regulatory oversight and enforcement.

Potential Opportunities for Merchants

A recent study by Visa, titled "The Future of Banking is Open,"¹ highlights three major benefits of Open Banking for consumers. The first is to increase effective competition, which allows more merchants to enter the market.

Besides, innovation comes into play, a benefit that accelerates collaboration between traditional banks and third-party providers. Finally, the study mentions an improvement in the consumer experience as new market players emerge to optimise further the value chain, especially if they can implement robust security standards.

With these benefits, Open Banking gives consumers more control over their financial data by providing a consolidated view of all their financial accounts in one place—their everyday outgoings, savings, loans, and so on. On the other hand, Open Banking also presents various opportunities for e-commerce merchants. Merchants can leverage this transformative trend to enhance customer experience, lower payment costs, eliminate chargebacks, and receive instant payments directly to their bank accounts.

Improved Payment Experience: Merchants can access customer account information securely, facilitating seamless payments directly from customers' bank accounts into their banking accounts. This way, settlements are conducted immediately, enabling better cash flow for the merchants.

Traditional payment mechanisms introduced in the pre-internet economy often required the presence of several intermediary actors, whether companies, merchant employees, or traditional banks. However, the account-based character of Open Banking transfers enables merchants to automate several banking processes by eliminating the need for intermediaries and many fees attached to the payments. Besides, because Open Banking providers instruct bank transfers on behalf of the customers, there is no built-in chargeback mechanism. This means savings on the cost and back-office admin of disputed payments.

Thus, by offering a smooth and optimised customer experience across all digital channels, merchants can reduce abandonment during the payment process and increase the conversion rate.

The account-based character of Open Banking transfers enables merchants to automate several banking processes by eliminating the need for intermediaries and many fees attached to payments.

This means not only prioritising user-centric approach, but also reducing transaction costs, increasing operational efficiency and achieving significant savings.

Tailored Financial Offerings: Thanks to Open Banking, merchants can analyse customers' transactional data and spending habits and offer tailored financial products and services, and loyalty schemes. Based on individual data, merchants can also offer customised recommendations (for budgeting and savings) and tailor discounts, rewards, and promotional campaigns to suit customer preferences.

This personalised service approach leads to increased customer satisfaction and repeat business.

Flawless integration with TPPs: Open Banking is an excellent opportunity for merchants to completely rethink the way they provide customers with services. It facilitates flawless integration with third-party services, enabling merchants to enhance their offerings and provide customers with a more comprehensive range of services. For instance, merchants partner with fintech companies to offer additional financial products such as loans, insurance, or investment opportunities. This provides added value to the customers and expands the merchant's revenue streams, creating a win-win cooperation for all parties involved.

Widening customer base: All the conveniences and advantages of innovation

are beneficial for e-commerce merchants to attract consumers and increase their customer base. The data-driven approach allows merchants to easily explore more ways to provide satisfaction and attract the wider community's interest. Merchants drive customer acquisition and retention by leveraging the vast pool of banking data and better understanding their target audience.

By embracing Open Banking, merchants can position themselves at the forefront of innovation, delivering exceptional value to their customers. APIs and Open Banking not only represent a strong technological innovation but also present a great opportunity for merchants to differentiate themselves in the market by simplifying and optimising their payment processes. Its account-based transfer flow is faster, more secure, and potentially more convenient for conducting payments between consumers and merchants or two consumers.

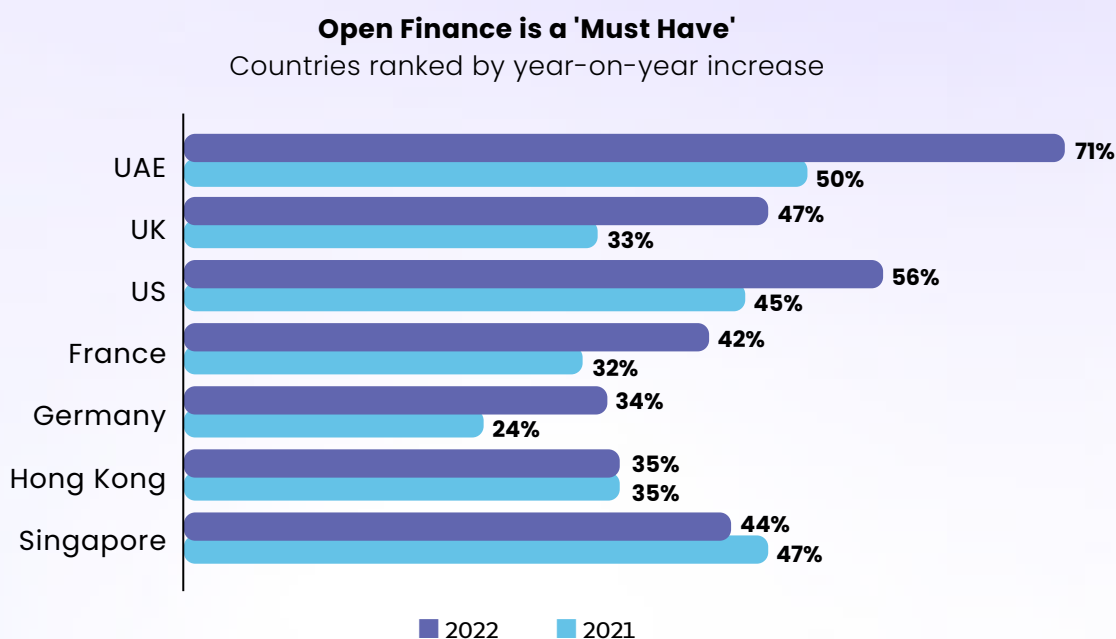
Conclusion

Open Banking has opened up many opportunities for every actor in the digital ecosystem. Governments and regulators

across the MENA region -just like the rest of the globe, will search for quicker, safer and more cost-effective ways of moving money digitally around their economies and societies in the coming years. Addressing the needs of the underserved and underbanked is one of the most significant economic challenges facing the MENA today. By learning from the successes and failures in other markets, the region can radically transform its demographic and infrastructure realities. Lessons learned from Open Banking and real-time account-to-account (A2A) payments will probably be vital to transforming those realities into advantages.

As a result, millions of previously financially excluded individuals will greatly benefit from increased access to financial services and improved financial inclusion. These, in turn, offer merchants the advantages of broader customer reach, improved conversion rates, reduced transaction costs, and instant funds processing.

In 2024, we can expect an expanding adoption of Open Banking, with more countries implementing this practice. Regulatory bodies in many countries have started encouraging innovative Open



Source: Financial Services State of the Nation Survey 2023, Finastra

Banking services and improving the customer experience. Rising demand for instant payments and financial management services, consolidated partnerships of banks and fintech companies, enhanced security of customer data, and increased use of AI technologies will all help the healthy expansion of Open Banking in 2024.

However, Open Banking is just the first step in a challenging and captivating journey called Open Finance. The next phase will go further and see firms sharing data across more services. Open Finance is, in fact, just the extension of Open Banking because it includes sharing broader financial data. This requires integrating data from diverse sources, such as telco data, e-wallets, pensions, mortgages, loans, investments, and insurance. Several countries across the globe, such as Australia, India, Brazil, and the UK, are already progressing towards Open Finance by extending the data-sharing mandate to non-banking sectors.

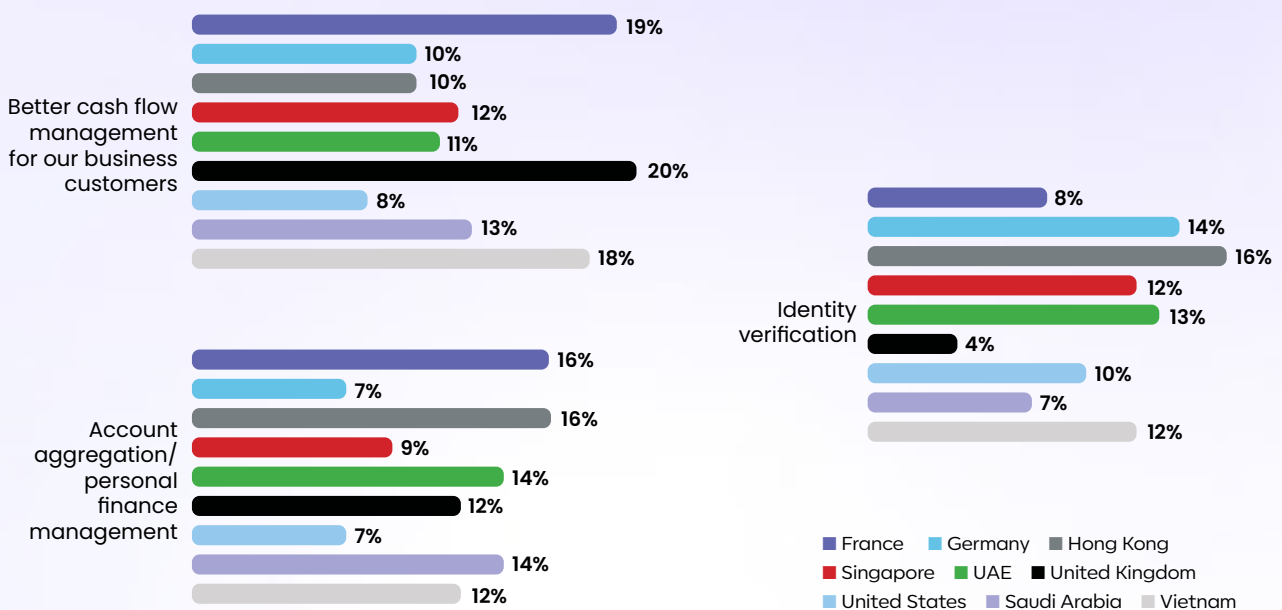
In 2024, as more regulatory bodies in many countries encourage innovation in the

financial services industry, we can expect a growing adoption of Open Finance, with more third-party providers offering personalised financial services based on customers' complete financial data.

A survey from Finastra, a global provider of financial software applications and marketplaces, supports that. The survey reveals that 85% of professionals of international financial institutions agree that Open Finance is already making the industry more collaborative and positively impacts all areas of the financial services industry. Finastra's "Financial Services State of the Nation Survey 2022"² study was conducted amongst 758 professionals at financial institutions and banks from August to September 2022 across many countries, including France, Germany, Hong Kong, Singapore, the UAE, Saudi Arabia, the UK and the US.

Some 94% of financial institutions regarded Open Finance as a 'must have' or 'important' in 2022 in data sharing, up from 91% in 2021. Significantly, almost half (48%) consider it

Open Banking Use Case with Most Impact in Financial Institutions, by Market



Source: Financial Services State of the Nation Survey 2023, Finastra

a 'must-have. The United Arab Emirates (UAE) continues to lead the way on this front; 7 in 10 (71%) cited Open Finance as a 'must have'; up from 50% in 2021. 94% agree Open Finance makes financial services more collaborative.

This is a significantly higher figure than in any of the other markets surveyed. Thus, according to the Finastra survey, the UAE emerges as a global leader in its appetite for financial services innovation.

Therefore, regulatory bodies in MENA should consider unlocking the full potential of Open Banking within the next couple of years by expanding into an Open Finance ecosystem. They will then actively consider adapting their Open Banking frameworks to incorporate Open API standards that facilitate cross-sector data sharing.

The MENA region, which is young, digitally advanced, and hungry for innovation, can gain traction in working towards Open Finance. As a tool for accelerating financial inclusion in the MENA region, the Open Finance market is projected to nearly double by 2027.

Much like Open Finance, Finastra's recent research has demonstrated the continued perceived importance of Open Banking. Given this, it is no surprise that many financial institutions report offering Open Banking-enabled services to a large proportion of their customer base.

The vast majority of financial institutions (85%) say that at least a quarter of their customers are using Open Banking-enabled services today. And 46% of financial institutions say over half of their customers are using them.³

Open Banking is perceived to offer a wide range of benefits, including peer-to-peer payments and more personalised products and services. Decision-makers say that the three use cases which have had the most impact on their financial institutions

to date are better cashflow management for business customers (13%), account aggregation (12%) and identity verification (11%).

Again, this varies by market. Providing better cashflow management for business customers is the use case regarded as most impactful by approximately one in five institutions in the US (19%), UAE (18%) and Vietnam (20%). Conversely, those in Saudi Arabia are significantly less likely to identify this as the primary use case (8%).

The most widely cited use case in the US is account aggregation or personal finance management solutions (16%). Those in France (16%), Singapore (14%) and Hong Kong (14%) are also more likely to identify this use case as more impactful than any other.

Financial institutions in France think Open Banking's applications for identity verification have had the most significant impact (16%), as is the case in the UK (14%). Regarding the impact of Open Banking on identity verification, the UAE is equal to Germany at 12%.

In navigating the road ahead, understanding the varied regional perspectives on the impact of Open Banking is crucial, as each market charts its unique course to shape its future.

The fact that the MENA's Open Banking market is expected to grow by 25% annually during the next five years is very encouraging.



1 "The Future of Banking is Open," Visa Consulting & Analytics, p.4 - <https://usa.visa.com/dam/VCOM/global/partner-with-us/documents/visa-open-banking-whitepaper.pdf>

2 "Financial Services State of the Nation Survey 2022," Finastra, p.5, - <https://www.finastra.com/viewpoints/research/finastra-financial-services-state-nation-survey-2022>

3 "Financial Services State of the Nation Survey 2023," Finastra, p.28, - https://www.finastra.com/sites/default/files/file/2023-11/Finastra_SOTN_Report_FINAL_Nov2023.pdf



CONTACT

TPAY MOBILE HEAD OFFICE

1509 Fifteen Floor,
Thuraya 1, Tecom, Dubai,
United Arab Emirates
Tel: +971 436 16 339
www.tpaymobile.com

CAIRO OFFICE

30A, Ibn Malka St.
First Settlement Service Zone
First Settlement, New Cairo
Cairo /Egypt
Tel: +20 (0)2 22460081

ISTANBUL OFFICE

Reşitpaşa Mahallesi
Katar Caddesi, Teknokent
ARI 1 Binası, No:2/5/23
34398 Sarıyer
İstanbul/ Türkiye
Tel: +90 (0)212 2854600

LAGOS OFFICE

7b Olu Holloway Road
İkoyi, Lagos /Nigeria
Tel: +234 1280 2330
+234 809 419 0896

RIYADH OFFICE

Office #111, 7961 Takhassusi Road 3367
Al-Mohammadeya,
Riyadh,
Postal Code 12363
KSA
Tel: +966 507163325



For more information, please visit the
TPAY website at tpaymobile.com