



Response to CDR Rules Consultation

Draft rules that allow for accredited collecting third parties ('intermediaries')

Sunday, 19 July 2020

Overview

While proposed changes in the draft rules are a sign that progress is being made in the right direction, Basiq still feels that the current proposal lacks the simplicity and ease-of-use that would provide wide acceptance of open banking for all interested participants, thus creating a large and strong CDR ecosystem.

We feel that in its essence the end result of the CDR initiative is a set of core APIs that developers are able to consume, to create innovative solutions for consumers. The basis of providing this value is (should be) a simple value exchange, where the consumer consents for the developer to access their data, on the basis of receiving some sort of value in return.

This type of interaction is one which has already been solved many times over by notable API companies that provide consumer services. Majority of these companies follow similar usage patterns for authenticating, authorising and managing the data exchange - one which we feel doesn't need to be reinvented, as CAP intends to do so.

To ensure that the Open Banking (CDR) ecosystem succeeds, we need to consider the following key attributes that makes API services successful:

1. **Willingness of consumers to share their data.** This is accomplished through trust of service and value exchange of where the data is being asked to be disclosed.
2. **Willingness of software developers to consume Open Banking APIs.** This implies the APIs follow a set (standard) pattern of consumption that engineers are used to, whether calling an API from Google, AWS, Facebook, Twilio or Stripe - they all follow a typical pattern of authentication, authorisation and consumptions and Open Banking should respect these and feel the same principles.
3. **Willingness of data holders to supply the data (via APIs).** Without the ability to consume the data there is no CDR environment.

We acknowledge that underpinning all of this is an environment that is safe, secure and consistent. This goes without saying, and we need to ensure that we have appropriate principles in place to consume and treat this data with care.

Standing on Proposed CAP Arrangement

Although the current CAP arrangement is well intentioned, we feel that it misses the mark in achieving the 3 core attributes outlined earlier.

Basiq therefore does not support the implantation of combined accredited person (CAP) arrangement as proposed in draft rules. CAP would solidify the approach that formal accreditation is needed for all participants in the CDR ecosystem, and enforce a costly and time-consuming accreditation process for everyone, which we feel is unnecessary. Also, CAP would introduce additional levels of complexity in technical solutions needed to fully support practical implementation of CDR, resulting in a prolonged adoption process for all involved participants.

Even if we encourage the idea of providing faster and more efficient access to CDR data, we also feel there are no real reasons for the introduction of a completely new entity (e.g. Intermediary) in the ecosystem.

A potentially, simpler solution

Every proposed function of Intermediaries could be supported and implemented by extending the existing concept of **outsourcing arrangement**.

In the current rules regarding outsourcing arrangement, two entities are participating in the arrangement - Accredited Data Recipient - **Discloser**, and unaccredited - **Recipient**. It is stated [1.10 (2)(b)(i)-(iv)] that Recipient has to follow all the same rules as if it were an ADR - must protect CDR data (direct and indirect) and must not use or disclose CDR data other than in accordance with outsourcing agreement with the Discloser; must return

and/or delete CDR data; must not disclose CDR data to third party (unless it has additional outsourcing arrangement with that third party).

For the rules, **Discloser** (ADR) discloses CDR data to **Recipient** under a CDR outsourcing arrangement under a written contract under which the Recipient provides to Discloser, goods or services using CDR data.

We propose that, **in addition to this**, outsourcing arrangement regulates also the reversed situation when **Discloser** provides to **Recipient** goods or services using CDR data, e.g. when:

- Discloser interacts with Data Holders on the behalf of the Recipient, for the purpose of gathering and handling CDR data;
- Discloser gathers and handles Customers consents – Customer is giving their consent to Discloser with the purpose of sharing CDR data with the Recipient with some specific purpose as required by rules for any ADR;
- Discloser provides the Customer with consent dashboard;
- Discloser provides the Customer with CDR Receipt.

This would allow **Discloser** to collect CDR data on behalf of a **Recipient**, and manage all risks associated with the data recipient collecting, storing or using CDR data.

Example:

Company MyFinView offers its customers online and mobile application for access to their current financial overview. MyFinView is not an ADR and in order to provide main functionality it needs access to its clients' financial data, so MyFinView (as **Recipient**) signs an outsourcing agreement with accredited data recipient, company AggregateNow (as **Discloser**).

During client on-boarding process, MyFinView redirects its new consumer to AggregateNow consent acquiring process during which the consumer gives their

consent to AggregateNow for the purpose of conveying their financial data to MyFinView for the purpose of providing the consumer with their current financial overview. ADR (AggregateNow) now has consumer's consent and will be able to gather all customer's CDR data from Data Holder(s) and convey it to MyFinView in accordance to their outsourcing agreement.

This approach will facilitate faster and easier promotion of new participants into the CDR regime, without the necessity of going through costly and time-consuming steps of accreditation of their own systems. On the other hand it will also provide the opportunity for a range of innovative businesses that operate on software-as-a-service or platform-as-a-service models to accredit themselves and assist in or facilitate the collection of CDR data and offer 'end-to-end' services that collect and use CDR data.

This will enable a more competitive environment, with wider opportunities for specialisation and utilisation of industry best practices. Companies that provide functionalities and features to end-users (Consumer) would be relieved of the burden of developing, testing and maintaining complex systems for interacting with data holders. "Aggregators" that are accredited to communicate with data holders would take all that job on themselves and thus allow the market to focus on what is important - faster innovation and more new groundbreaking features for end-users.

Also it will bring more understandable processes to Consumers themselves, as it always will be obvious who you are giving consent to and with what intent. The number of "dashboards" Consumers would have to use for managing their consents, would be largely reduced as they would likely give more consents to the same "Aggregator" that would have multiple **outsourcing arrangements** in place.

Sincerely,

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