

Colombian Ministry of Finance,
Unidad de Regulación Financiera
Carrera 8 No. 6C- 38
Bogotá D.C., Colombia

Mrs. **Ana Maria Prieto Ariza**
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Ref: Response to questions addressed at the roundtable “Aproximación regulatoria de la banca abierta en Colombia”

Dear **Ana Maria**,

Following your request for market participants to answer questions deemed relevant for the analysis around Open Finance in Colombia, we would like to share our response, based on our international experience.

Open Banking Exchange (OBE) has spent five years creating Open Banking Ecosystems in Europe and the UK. This has involved discussions with regulators, market participants and end users, allowing OBE to consolidate a wealth of material in our European operations (Open Banking Europe - Building a digital Europe, together), based on many years of seeing mistakes made and lessons learned.

For the past year, OBE has been working with different countries to document and explain the correct components of such a system. Open Banking Exchange

We have taken it upon ourselves to launch an Open Banking Exchange community in Colombia to support the regulatory aims for Open Finance and its market success by accelerating digital finance, innovation and digital payments.

n.b. We use the terms Open Banking / Open Finance interchangeably, unless otherwise mentioned.

1	What are the key incentives for the development of an open banking scheme in Colombia?	<p>Open Banking brings many benefits to society, unlocking data and services between providers for the benefits of consumers and end users, due to an increase of competition, transparency, new and innovative financial services and access to financial services, while lowering digital fraud.</p> <p>The incentive for creating a scheme is that it creates "interoperability" and reduces "fragmentation" through standardisation. This allows reach, so that all citizens can use the same baseline services.</p> <p>To create Open Banking without such a scheme would be like having telephone networks that don't all talk to each other, or five different instant messaging platforms.</p> <p>By a scheme we mean a set of rules that are applied across all players in the Open Banking ecosystem. Such a scheme may be detailed and comprehensive ("thick") or superficial and principle based ("thin"). It may be set by a regulator or by a market operator.</p> <p>Unless regulation is very strong, there should be incentives and business models that allow all parties to benefit from the Open Banking ecosystem.</p> <p>As long as the core is standardised, innovation can occur by proscribing the core space (standardised), and allowing experimentation and value-added service outside (innovation).</p> <p>It is also important that there is regulatory clarity across different regulators on topics such as data privacy and finality of payments.</p>
2	In a voluntary scheme should certain content be introduced into the regulation or certain standards should be defined? if so, which?	<p>A scheme should start by understanding their two sides to the market. The API Provider, and the API User. The interests of these two are not aligned.</p> <p>Provision of an API Scheme / Open Banking Ecosystem is highly complex, with technical, legal and operational pre-requisites. Regulators should ensure that they do not try to write the scheme within the legislation but to limit itself to the scope, who should provide the scheme, who can or must join the scheme, and what enforcement powers the scheme operator has to adjudicate between the parties.</p>

3	<p>With regards to the incorporation of access requirements for TPPs; What model do you think Colombia should implement and why? (centralized model, mixed model, our autonomous private model)</p>	<p>We recommend that you choose a mixed model, based on a centralised scheme.</p> <p>There should be clear regulatory requirements that action happens within a set timeline to create the momentum for action. These requirements should define minimum obligations on parties to participate. The scope could be rolled out in phases, e.g. accessing public information (e.g. branch locations), read only account information (e.g. get a balance, view a policy), read/write access (e.g. apply for a loan, buy some shares), and making payments to third parties.</p> <p>A nominated regulated body, a self-regulatory organisation, or an industry organisation with a correct governance and funding that gives a voice to all market players that supervises and designs and delivery of the Open Banking Ecosystem.</p> <p>Regulators should assess compliance with regulatory requirements on an ongoing basis.</p> <p>After a period of time (e.g. three years), there should be regulator led review of outcomes to verify whether objectives have been met.</p>
4	<p>What type of nonregulatory initiatives do you believe can contribute to the development of Open Banking in Colombia? (example: API Hub, Public API portal, APIs offered by public entities, others)?</p>	<p>Open Banking Exchange has documented a number of components that are required in order to have well-functioning Open Banking Ecosystem.</p> <p>Please see attached presentation, supplied by Open Banking Exchange.</p> <p>Community The community needs to be organised to discuss, share and socialise the direction of the Open Banking ecosystem. There will be a place to solve problems and discuss different directions, ideally with a level of decision-making governance.</p> <p>Rulebooks & Standards A rulebook that defines the rights and obligations of different actors, underlying principles; business processes and the types of standards that will be used. This rulebook will include topics such as consent, privacy, security and business model. Eventually, it will include the standards themselves.</p> <p>Infrastructure The OBE Open Banking Framework lists multiple components that will support the ecosystem (see Open Banking Exchange Framework).</p> <p>A core feature is a centralised directory of market participants along with a secure identification infrastructure that allows API Providers to recognise legitimate API Users.</p>

		<p>Communication & Market adoption Open Banking will only be adopted by the public when it is offered by trustworthy institutions, and in an environment where the public is not afraid to use the new technology.</p> <p>To this end,</p> <ul style="list-style-type: none"> • Positive communication towards the public • Action by Public authorities to offer services that rely on Open Finance will show Open Banking use cases coming from the regulator. Cases could include payment of taxes or consumer identification when subscribing for government services.
5	What other considerations do you have regarding the implementation of Open Banking in Colombia?	One of the benefits, is the ability to make payments instantly. There should be mandated mechanisms to provide certainty of payment, through guarantees, instant payment schemes or other mechanisms. It is important that rules on Data ownership and data usage are clear between the three parties (the consumer, the account holder and the Fintech access an account).

Kind regards,



Victor Rivera

SVP – Latam

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