

Dutch Payments Association event “SPAA: Open access beyond PSD2”

Open Banking in the UK

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TOKEN

Agenda

History and current state of play

Key drivers of success in UK open banking

Current Open banking payment use cases

The future

The opportunity

TOKEN

The Open Banking enabler
for the Payments Industry

1st

PAYMENT INITIATION
TRANSACTION IN UK

>30M

ANNUALISED
TRANSACTIONS

>13B

ANNUALISED
VOLUME

>20%

OF ALL UK OPEN
PAYMENT VOLUMES

16

COUNTRIES
COVERED

>80%

BANK ACCOUNTS
COVERED IN EACH
MARKET

OPERATIONS IN



LONDON



BERLIN



SAN FRANCISCO

REGULATED BY



History of UK open banking

- Kick-started in 2016 by the competition authority (CMA) following an **investigation of the retail banking market**
- CMA mandated that the UK's largest banks fund, develop and implement a **single, open banking standard** for account information and payments
- Focus was on driving competition for retail banking services – to make it easier for **consumers to compare and switch between retail banking providers**, and to manage services across multiple providers

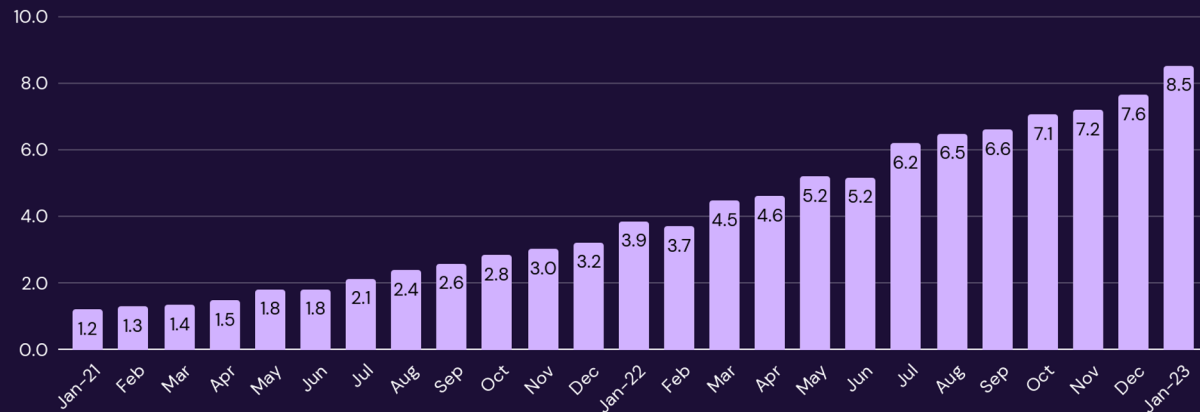
Key dates

- August 2016
CMA publishes retail banking market investigation final report
- September 2016
Open Banking Limited established
- February 2017
CMA publishes final order setting out open banking requirements
- January 2018
Open Banking comes into effect
- July 2021
CMA mandates introduction of VRPs for sweeping
- January 2023
CMA announces completion of open banking implementation roadmap

Current state of play in UK open banking

Successful open banking payments

Millions



7 MILLION

ACTIVE USERS OF
OPEN BANKING
SERVICES

↑121%

OPEN BANKING
PAYMENTS

January 2022 to January 2023

8.5 MILLION

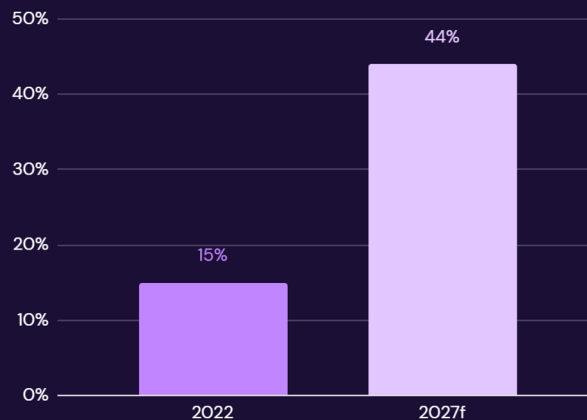
PAYMENTS PER
MONTH

In January 2023

Adoption of
open banking
in the UK
expected to
continue to
expand
rapidly

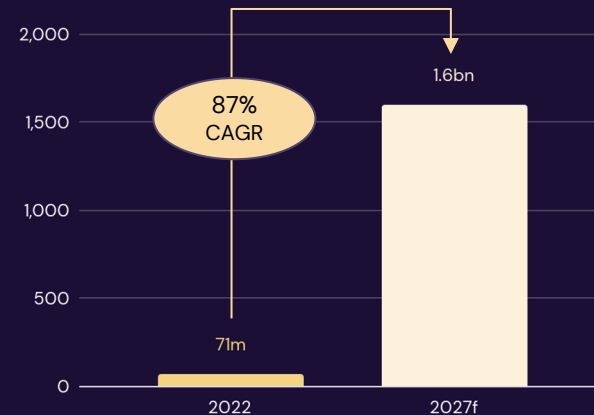
UK open banking adoption

Percent of online adults, AIS and PIS combined



UK open banking payment volumes

Millions



Source: Forrester

Key drivers of **success** in UK open banking



MANDATED USER EXPERIENCE REQUIREMENTS

Requiring App to App redirection for authentication is key to driving good user journeys



UBIQUITOUS AND LOW- COST INSTANT PAYMENTS RAIL

Nearly all UK payment accounts able to send and receive Faster Payments at no cost to the payer



INDEPENDENT, CENTRAL IMPLEMENTATION BODY

Centre of technical expertise and ability to effectively coordinate industry-wide activity



CENTRALISED REPORTING AND MONITORING

Enabled identification of poorly performing players and resolution of issues

Current Open Banking Payments use cases

- Currently focussed on **single immediate payments** for **high value** payment use cases



Debt repayment

Secure, convenient credit card and loan debt repayments.



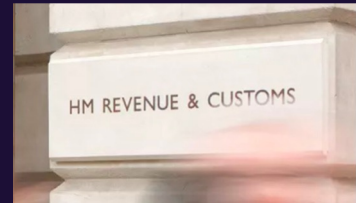
E-commerce payments

Easy online and mobile checkout initiated payments for high ticket price items



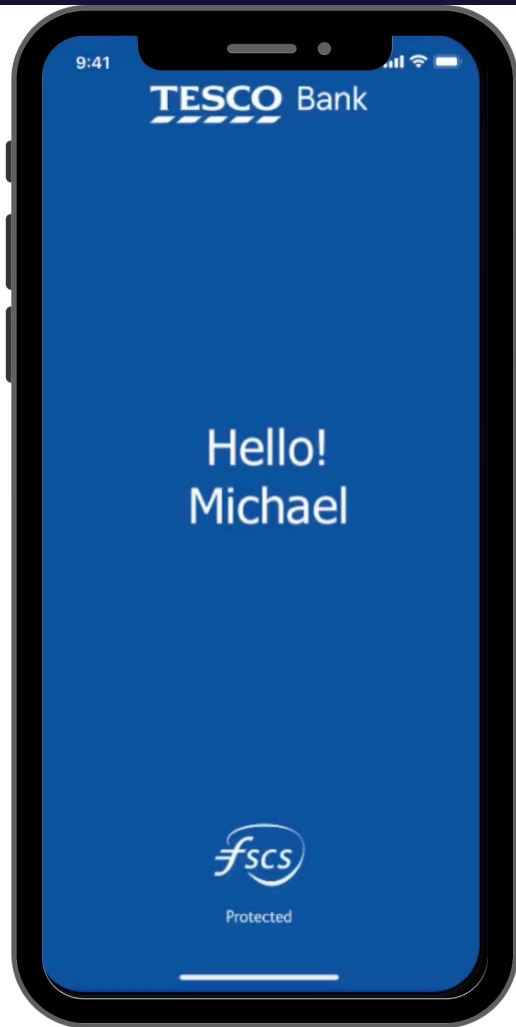
Funding an account / wallet

Instantly adding money to an account or e-wallet.



Tax payments

HMRC currently supports 43 tax types payable by open banking.



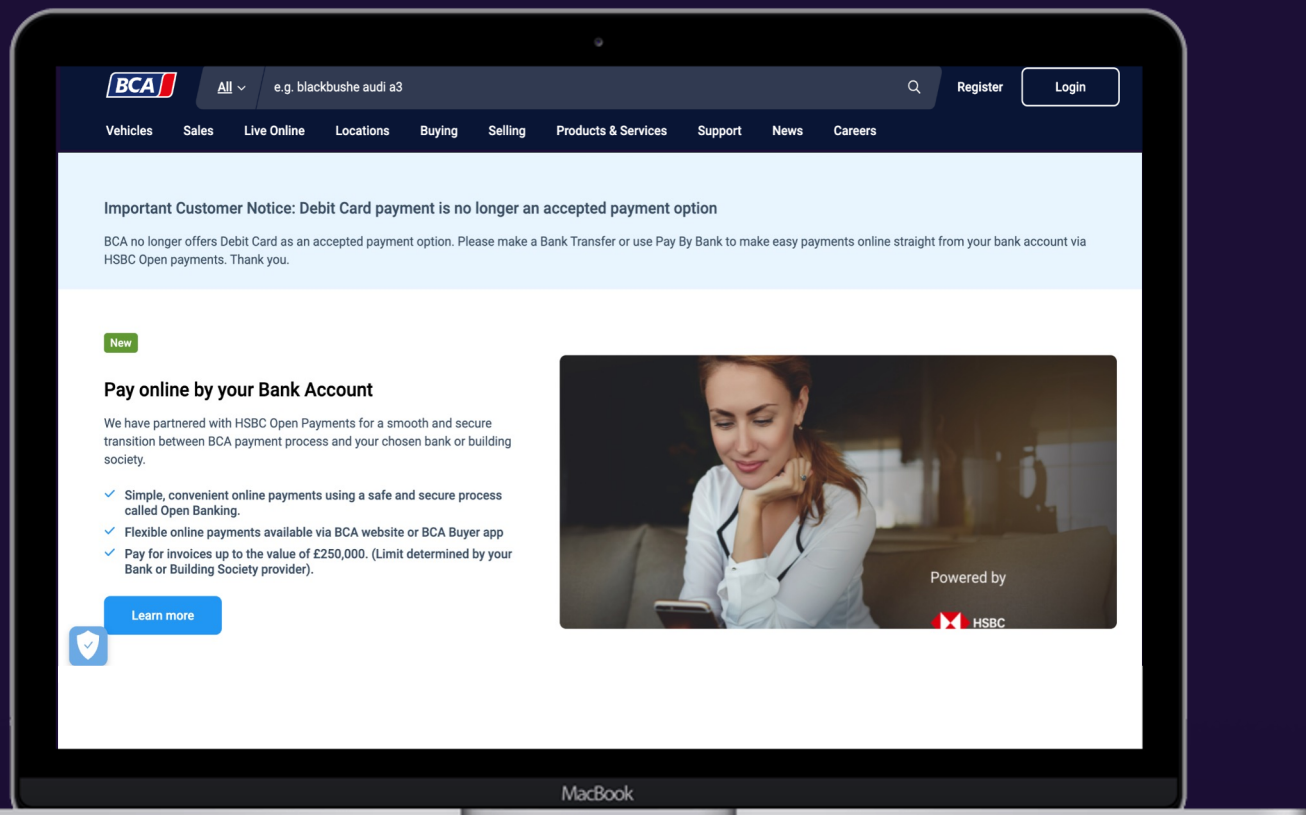
The user experience is really good...

- ✓ Intuitive
- ✓ Easy to use
- ✓ Better than cards

TESCO Bank



Open Banking payments for E-commerce



Government Payments

GOV.UK Pay your Self Assessment

◀ Back

Choose a way to pay

- ☒ **Pay by bank account (new)**
Approve a payment to come straight from your bank account
- ☐ **Direct Debit (one-off payment)**
A single, one-off Direct Debit payment. You are covered by the Direct Debit guarantee
- ☐ **Corporate credit card or debit card**
There is no fee for personal debit cards. Corporate credit and debit cards are charged a fee.

[Continue](#)

Get HMRC's bank details to [make a bank transfer](#)

The HMRC app only supports paying by bank account.

You can use your banking app or online banking to approve a payment to come straight from your bank.

[Pay by bank account](#)

Other ways to pay

Direct debit and card payments

To pay another way, such as by Direct Debit or by card you will need to continue on the HMRC website. >

Bank details

- Launched in March 2021 – first government globally to embed Open Banking payments in its own operations
- Live in all 43 applicable tax types, e.g. tax returns, VAT, corporation tax
- To date, ~4.5 million tax payments worth ~£12 billion
- Increasing uptake – Jan 2023 deadline for 2022 tax returns:
 - £2.3bn processed
→ 64% increase vs. previous year
 - 869k transactions
→ 47% increase vs. previous year
- As at August 2022, ~£500k government savings on transaction fees

NatWest

Select payment account

1 account selected Clear all Select all

Account	Balance
Current Account	£ 1,970.37
Savings Account	£ 10,112.19

Account selected [Select account](#)

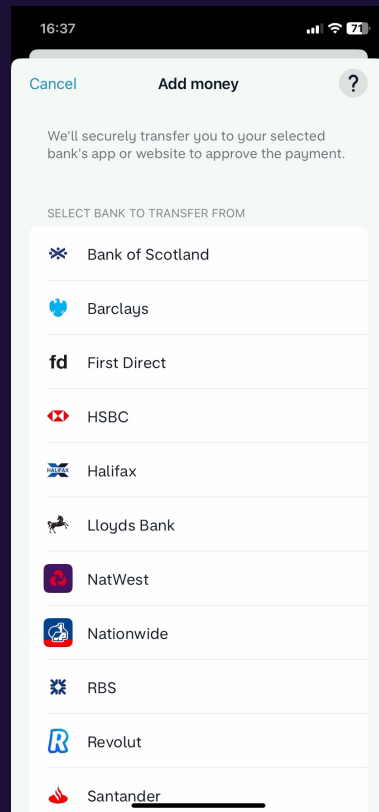
From: Current Account
50000012345678

To: HMRC Self Assessment Shipley
08321012001020

Payment amount £ 383.53

Wallet Funding

- Safe, speedy and simple way to facilitate account top-ups
- Addresses money movement for any wallet or account that requires funding from a bank account
- App-to-app redirect ensures the flow is seamless
- Eliminates potential for manual error when keying in card details



THE FUTURE —————>

Variable Recurring Payments

- **New types of payment transactions** that are **enabled by Open Banking APIs** in the UK
- Before VRPs, a third party provider (TPP) like Token could initiate a single **one-time payment** on behalf of a consumer
- With VRPs, consumers can give third party providers (TPPs) permission to make a **series of payments** from their bank account based on a set of rules and limits that the consumer controls.
- Regulators have **required the UK's largest banks to introduce support for VRPs for sweeping**





TWO TYPES OF

Variable Recurring Payments

1. “**SWEEPING**” SERVICES

- “Me-to-me” payments
- Consumers can automate movement of funds between their accounts to maximise interest on savings, minimise overdraft fees

All major UK banks now offer APIs for Variable Recurring Payments for “sweeping” services.



TWO TYPES OF

Variable Recurring Payments

2. **COMMERCIAL** SERVICES

- Consumers can grant permission for the initiation of recurring payments of variable amounts, such as for bills, to be securely withdrawn from their bank account according to a set of rules that they control
- Gives consumers greater visibility and control of spending

WHAT ARE THE MOST COMPELLING *COMMERCIAL VRP USE CASES?*



One-click e-commerce payments



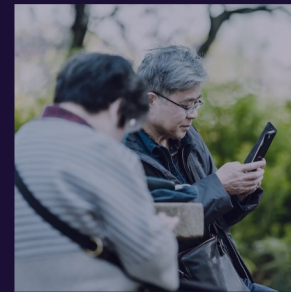
Subscription service payments



Wallet top ups

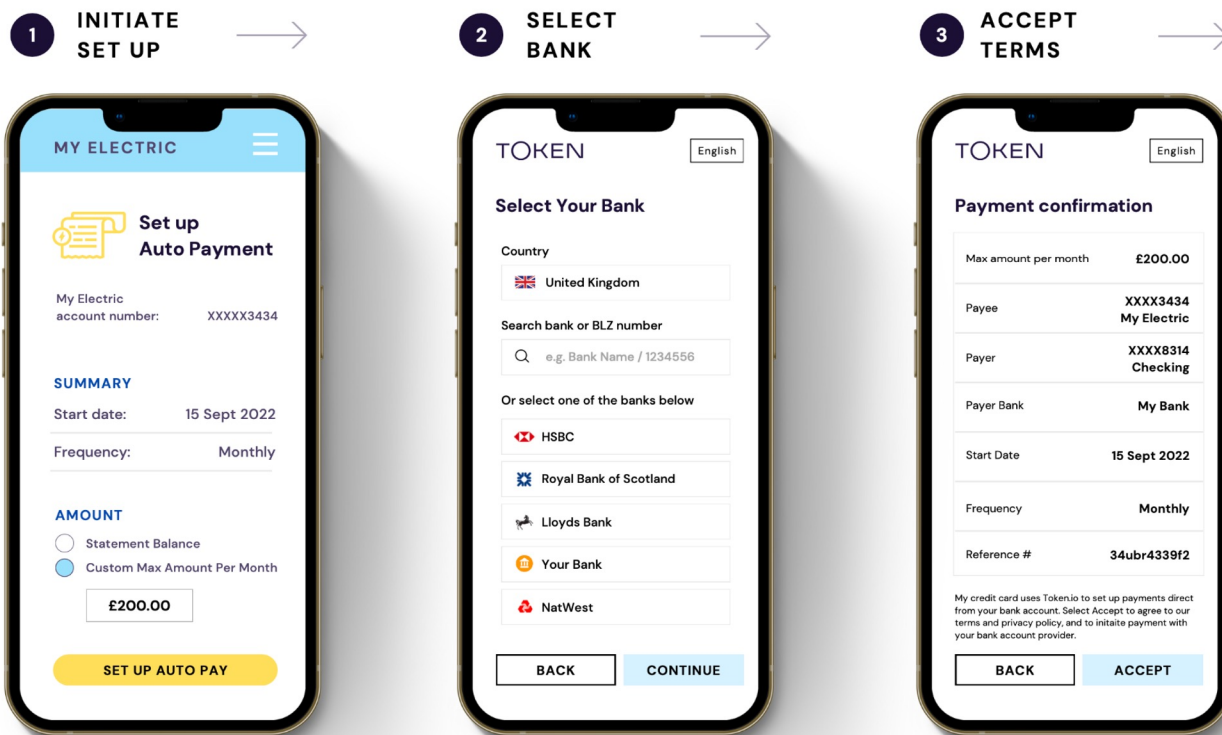


Utility bill payments



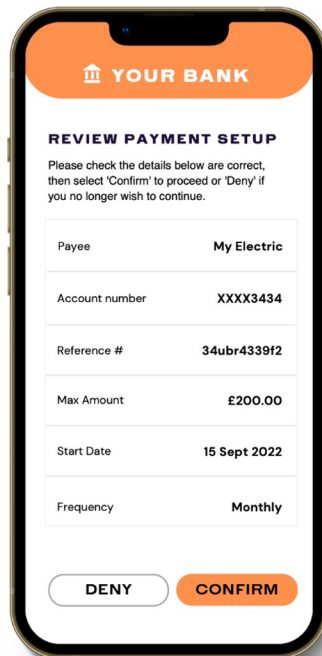
Charitable donations

VRP for bill payments



VRP for bill payments

4 CONFIRM PAYMENT



YOUR BANK

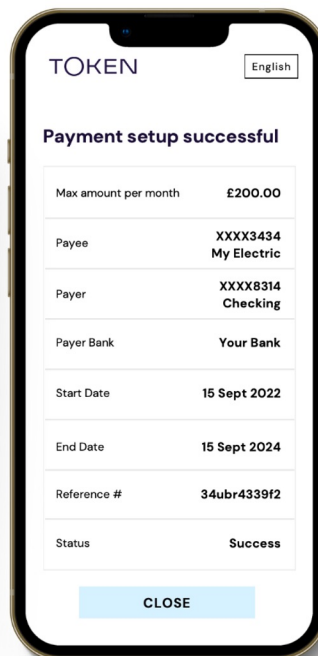
REVIEW PAYMENT SETUP

Please check the details below are correct, then select 'Confirm' to proceed or 'Deny' if you no longer wish to continue.

Payee	My Electric
Account number	XXXX3434
Reference #	34ubr4339f2
Max Amount	£200.00
Start Date	15 Sept 2022
Frequency	Monthly

DENY **CONFIRM**

5 SUCCESS



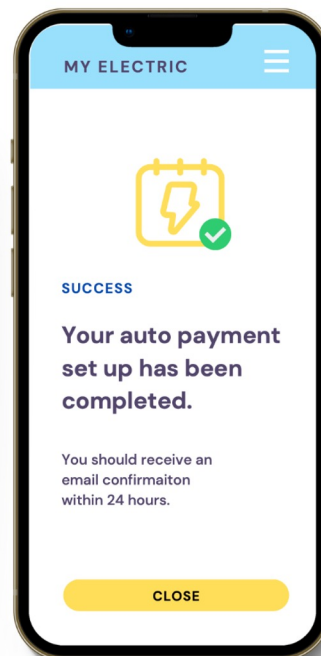
TOKEN English

Payment setup successful

Max amount per month	£200.00
Payee	XXXX3434 My Electric
Payer	XXXX8314 Checking
Payer Bank	Your Bank
Start Date	15 Sept 2022
End Date	15 Sept 2024
Reference #	34ubr4339f2
Status	Success

CLOSE

6 COMPLETE



MY ELECTRIC



SUCCESS

Your auto payment set up has been completed.

You should receive an email confirmation within 24 hours.

CLOSE

Selected areas for **improvement** for UK open banking

BETTER SUPPORT FOR HIGH TRANSACTION VALUE USE CASES

Develop ecosystem functionality to provide support for high value payment use cases (e.g. standards to include enhanced transaction risk indicators)

MORE CONSISTENCY IN PAYMENT STATUS AND ERROR CODE MESSAGING

Support consistent and granular use of payment status and error codes across ASPSPs to better enable rapid and effective issue identification and resolution

IMPROVED USER EXPERIENCE FOR VRPs

To promote wider consumer usage of VRPs, improve transparency and management of VRPs in ASPSP consumer interfaces (e.g. mandate management, reporting)

ENABLING ENHANCED ECOSYSTEM RELIABILITY

Measures to further improve ecosystem reliability, such as mandating minimum conversion rate

The CMA order is now complete — but **UK policy-makers continue to support** the future growth and enhancement of open banking payments.

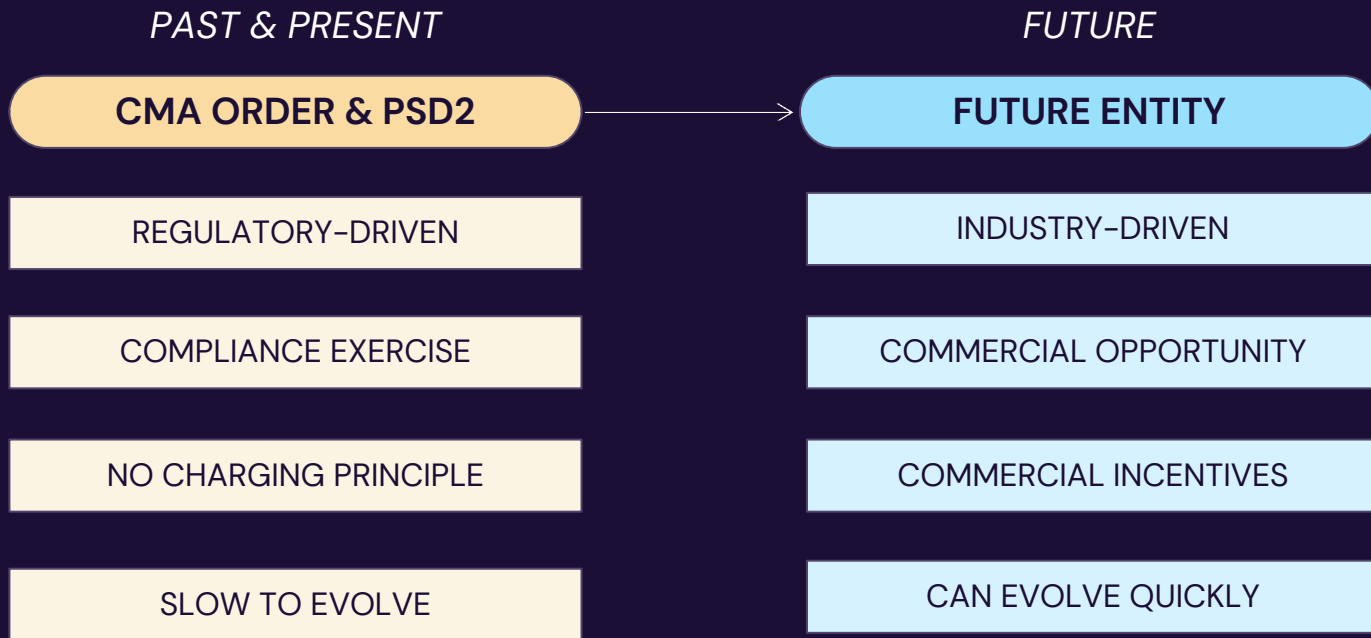
HOT OFF THE PRESS!

Priorities for the UK Joint Regulatory Oversight Committee (JROC) roadmap:

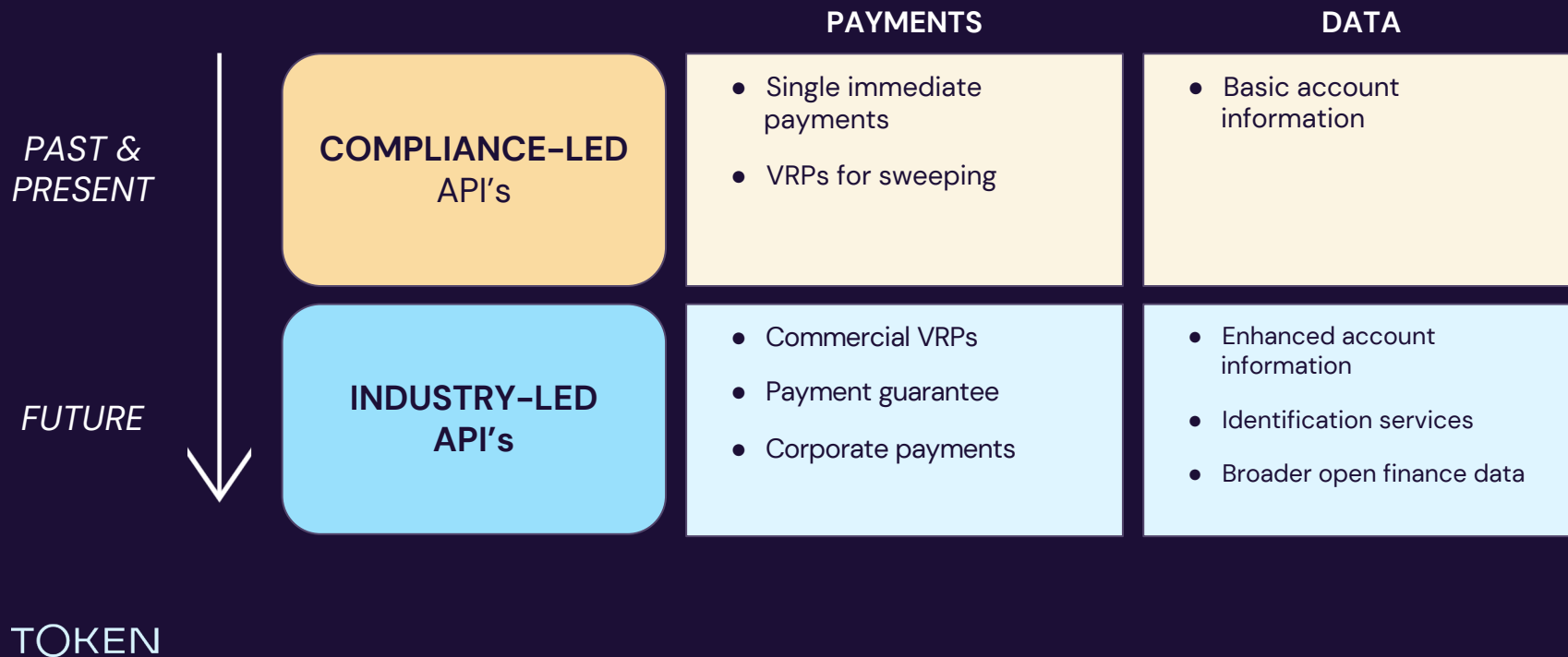
- Supporting the development of **premium APIs** for payments (**VRPs for non-sweeping**) and data
- Development of richer **error messaging** and other measures to reduce friction
- Collection of **richer data** on API performance/availability and fraud
- Development of dispute resolution mechanisms

JROC also commits to the design of a future entity that will continue to play a **strong central role** in the ecosystem, and help develop **new standards** to support the growth of open banking.

UK transitioning to more industry-led phase of open banking development



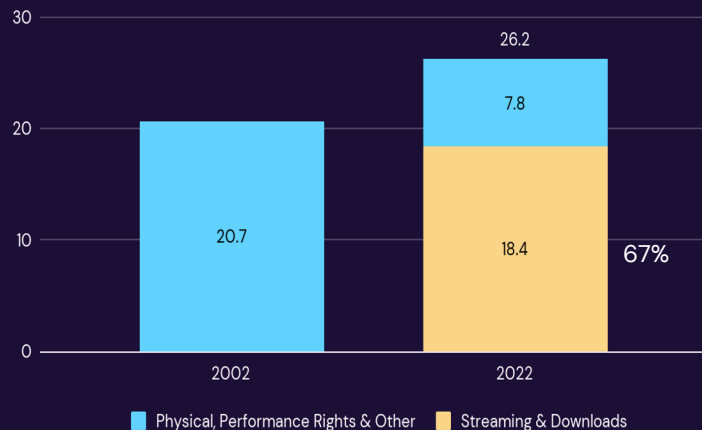
Industry-led approach can unlock new revenue streams



API Monetisation can unlock major incremental revenue opportunities

Global Recorded Music Industry Revenues

(US\$ billion)

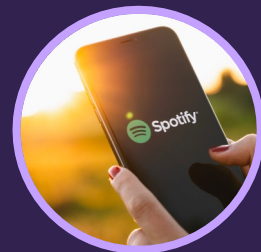


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Source: IFPI Global Music Report 2023



PHYSICAL



→ **DIGITAL: STREAMING**

HIGHEST EVER REVENUES IN 2022
FOR MUSIC INDUSTRY



PHYSICAL



→ **DIGITAL: APIs**

MAJOR REVENUE OPPORTUNITY FOR
FINANCIAL SERVICES INDUSTRY

Thank you

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