

## Open Banking

# The Future of Financial Services and Trust in the MENA Region

October 2023

Delve into the role of open banking in building trust and driving transformation in the MENA region. Learn how it enables secure data sharing, enhances customer-centricity, drives innovation, grows revenues, and fosters collaboration.

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# Executive Summary

## Opportunities abound for Open Banking in the Middle East



### Open Banking has become a global phenomenon

As of August 2023, over 65 nations have implemented different variations of Open Finance. While some initiated Open Banking, emphasizing data sharing between banks and third parties with customer consent, others have kept a broad scope for data sharing across the entire financial sector under the Open Finance umbrella. A few have even ventured beyond specific industries, promoting economy-wide data sharing, referred to as Open Data or Open Economy.



### 2023-25 is expected to be a breakout period for Open Banking in the Middle East

Since 2022, the landscape has evolved dramatically, with economic powerhouses like Bahrain, Saudi Arabia, and the UAE incorporating Open Banking into their economic development strategies. New interoperability standards offer regional newcomers immediate compatibility. Furthermore, Oman, Jordan, and Morocco are in the initial phases of developing regulatory frameworks, indicating imminent and foreseeable progress in these regions in 2023-2024.



### Open Banking matures to Open Finance and Open Economy in key economies

Several countries, such as Australia, India, Brazil, and the UK, are progressing from Open Banking to Open Finance and Open Economy by extending the data sharing mandate to non-banking sectors like mortgages, investments, insurance, and non-financial sectors like telecom, energy, etc.



### Open Banking initiatives offer a variety of approaches for banks to pick and choose from

Open Banking involves different levels of readiness to realize its full potential. Banks can choose open banking as a level to reinvent their operating and business models and also to propel digital transformation initiatives.



### Open Banking needs new roles and enhanced industry-wide collaboration for maximum impact

Open Banking thrives when it involves more than just the foundational regulatory infrastructure and the participating financial institutions. For it to truly flourish, software enablers are essential, propelling both adoption and value creation. Key players in the open banking ecosystem include data aggregators, payment processors, data enrichment firms, cybersecurity and fraud prevention providers, as well as identity verification entities.

# The Anatomy of Open Banking

Open Banking represents a transformative shift in the financial services landscape, encompassing various critical components. At its core, it revolves around the extensive sharing of financial data, including transaction details, financial services data, and even lifestyle information. A key use case within this paradigm is identity verification, streamlining the customer onboarding process, and ensuring security. This holistic approach provides a comprehensive view of an individual's financial health and behavior, empowering them with newfound control and insights.

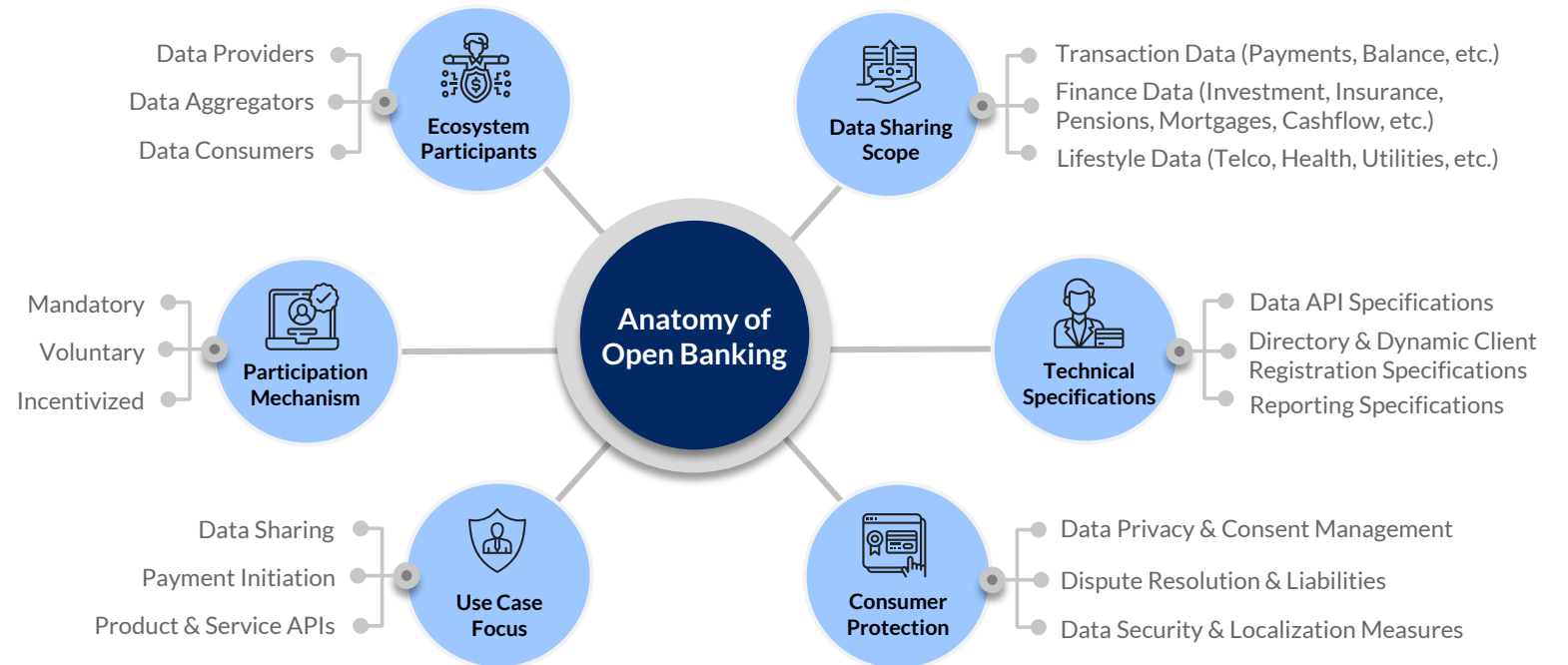
Within the Open Banking ecosystem, three key participants play distinctive roles. Data providers, often financial institutions, house and supply customer data. Data aggregators and hub providers act as intermediaries to facilitate consent-based data portability and verify certified third-party providers (TPPs). On the other side are data consumers, typically referred to as TPPs, who utilize the shared data to offer innovative financial solutions to customers. It's worth noting that a data provider can also function as a TPP, like a digital bank, consuming third-party APIs within its app.

Participation in Open Banking can take various forms, depending on regional regulations and market dynamics. Some regions mandate participation, while others adopt a voluntary approach. In certain areas, incentives encourage participation, emphasizing the benefits of embracing Open Banking initiatives.

Open Banking serves multiple primary use cases, ranging from data sharing to payment initiation and even action initiation, where TPPs can facilitate various financial and non-financial actions, such as account switching, account closures, address updates, etc.

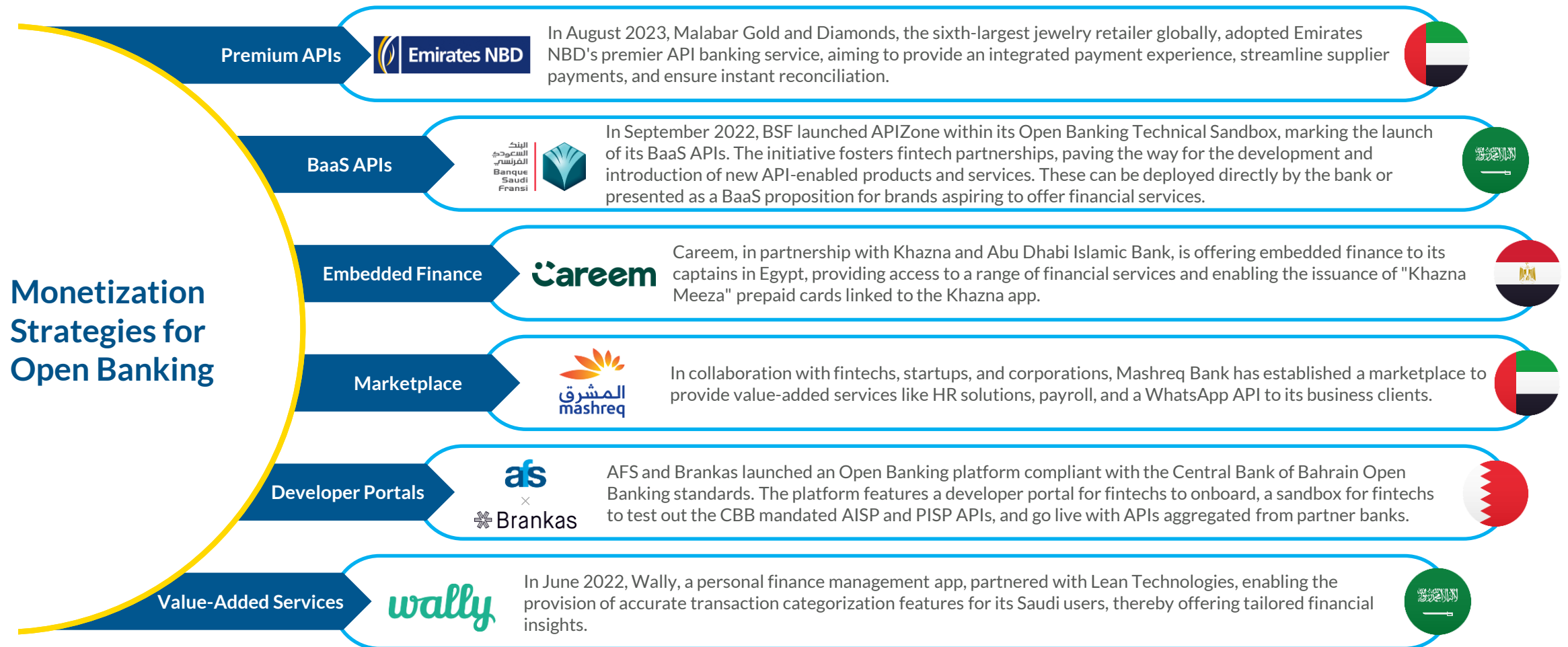
Consumer protection is paramount, with rigorous measures in place. Data privacy and consent management protocols ensure customers retain control over their information. Well-defined dispute resolution mechanisms and liability assignments provide security, while robust data security measures safeguard sensitive financial data.

At the heart of Open Banking lies a robust technical infrastructure. Data API specifications dictate how data is accessed and exchanged. Crucially, these API standards facilitate interoperability and streamline the integration process across multiple banks' APIs. Open Banking Directory and dynamic client registration specifications aid in identifying authorized TPPs.

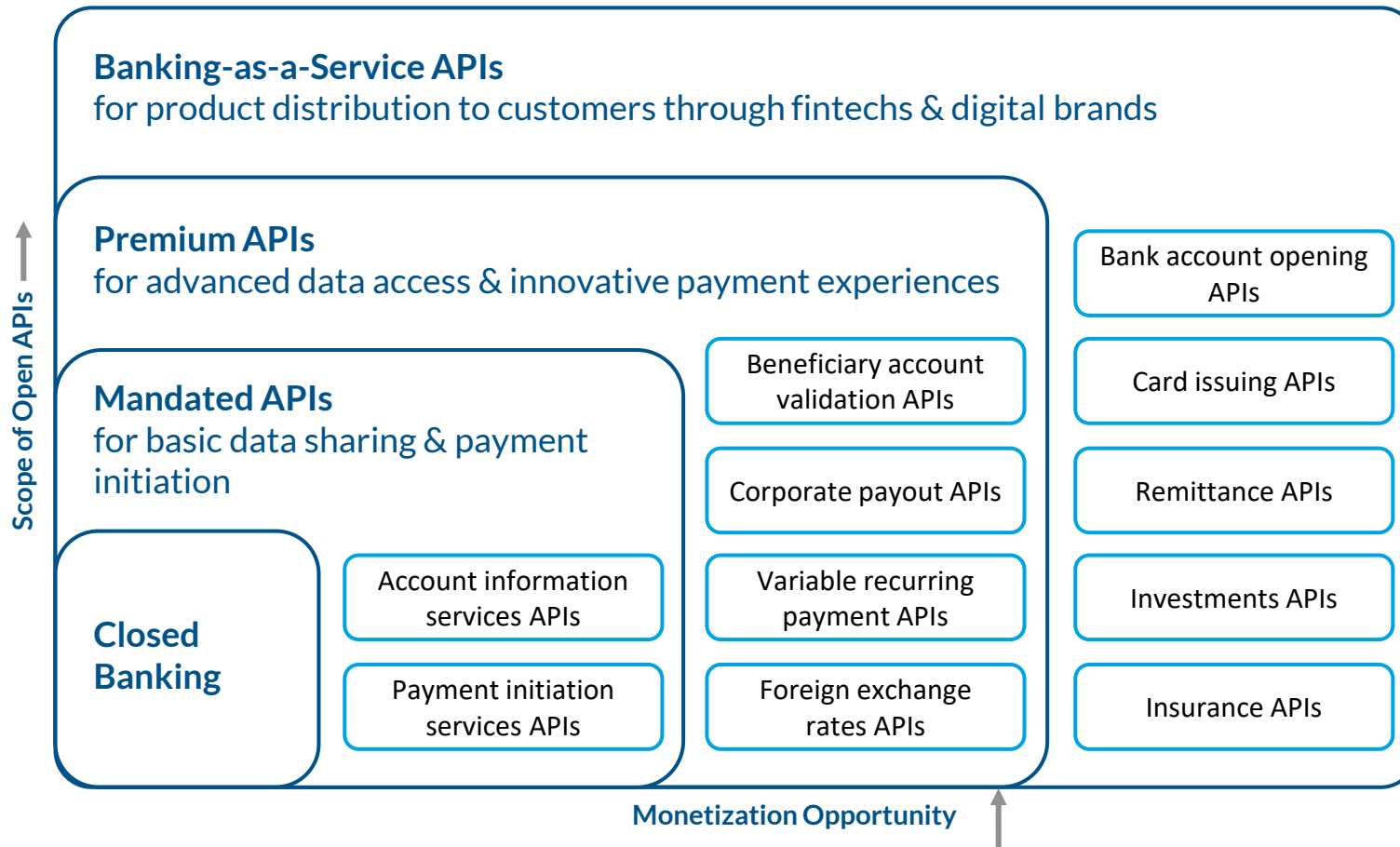


## Revenue Generation Strategies Implemented by Organizations in MENA

### Strategic Revenue Generation Initiatives through Open Banking



# Open Banking : The Way Forward in MENA



## Open Banking Approach in MENA

Banks in the MENA region stand at the cusp of a transformative era, and a holistic, forward-thinking approach to open banking is paramount.

While banks may start by ensuring compliance with regulatory requirements for data sharing and payment initiation. There is a wider opportunity to leverage premium APIs to foster collaborations with the developer community, tapping into the rich possibilities of developer portals and sandboxes.

Going a step further, Banks in MENA have the opportunity to embrace Banking-as-a-Service (BaaS) APIs, to seamlessly integrate their financial products into third-party apps. By doing so, they can potentially acquire more customers leading to increased deposits and greater lending opportunities. This evolution can magnify their interest earnings, allow them to capitalize on transaction fees, and enable the introduction of innovative products, from credit cards to insurance and investments, to newly acquired customer base, further enhancing their revenue prospects.

By following this roadmap, banks can tap into the true potential of open banking, going beyond compliance to seize new opportunities in the evolving financial landscape.

“To truly harness the transformative power of open banking, banks must evolve beyond just ticking the regulatory boxes. The real journey begins when we shift our focus from mere compliance to leading the charge in innovation, embracing new paradigms, and adapting to the dynamic contours of a rapidly changing financial landscape. It's about proactively shaping the future, not just responding to it.”




Todd Schweitzer, CEO - Brankas

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