

FSCA Press Release

10 December 2020

THE FINANCIAL SECTOR CONDUCT AUTHORITY PUBLISHES ITS SOUTH AFRICAN RESEARCH INSIGHTS AND CONSULTATION PAPER ON OPEN FINANCE

Today the Financial Sector Conduct Authority (FSCA) published its research report and consultation paper on Open Finance.

Open Finance is built on the principle of consumers owning the data that they create on financial service providers' (FSPs) platforms and having the right to share that data with other FSPs should they consent. Open Finance is thus a framework to allow consumers and companies to access and share their financial data with third-party providers who can then use that data to develop innovative products, provided there is explicit and informed customer consent.

The aim of the report is to identify the benefits and risks in the implementation of Open Finance in South Africa. These benefits range from personalised products and services for consumers, specialisation, ecosystem orchestration, and alternative revenue streams for financial service providers, and access to customer financial data not previously accessible for third party providers. These benefits are accompanied by risks such as data privacy and data misuse, as well as the cost associated with framework development and a need for interoperability.

To address some of these risks the paper has made recommendations around ensuring (1) informed consent and customer protection, (2) adequate dispute mechanism for parties involved (3) Open API standards, (4) Commercial models, and (5) Data protection. These recommendations are to inform licensing requirements around Open Finance and set the tone for risk-based supervision and enforcement.

Notes to the editor

- The Financial Sector Conduct Authority (FSCA) is the member of the Intergovernmental Fintech Working Group (IFWG). The IFWG was established in 2016 with the objective to create a forum for regulators to gain deeper insights into fintech innovation in order to regulate and foster responsible innovation to help ensure the continued efficient functioning of financial markets and financial stability, and the safeguarding of customers' interests. Other members of the IFWG are, the Financial Intelligence Centre (FIC), the National Credit Regulator (NCR), Competition Commission, the National Treasury, South African Revenue Service (SARS) and the South African Reserve Bank (SARB).

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