

OPEN BANKING IN THE MIDDLE EAST



Open Banking – an introduction



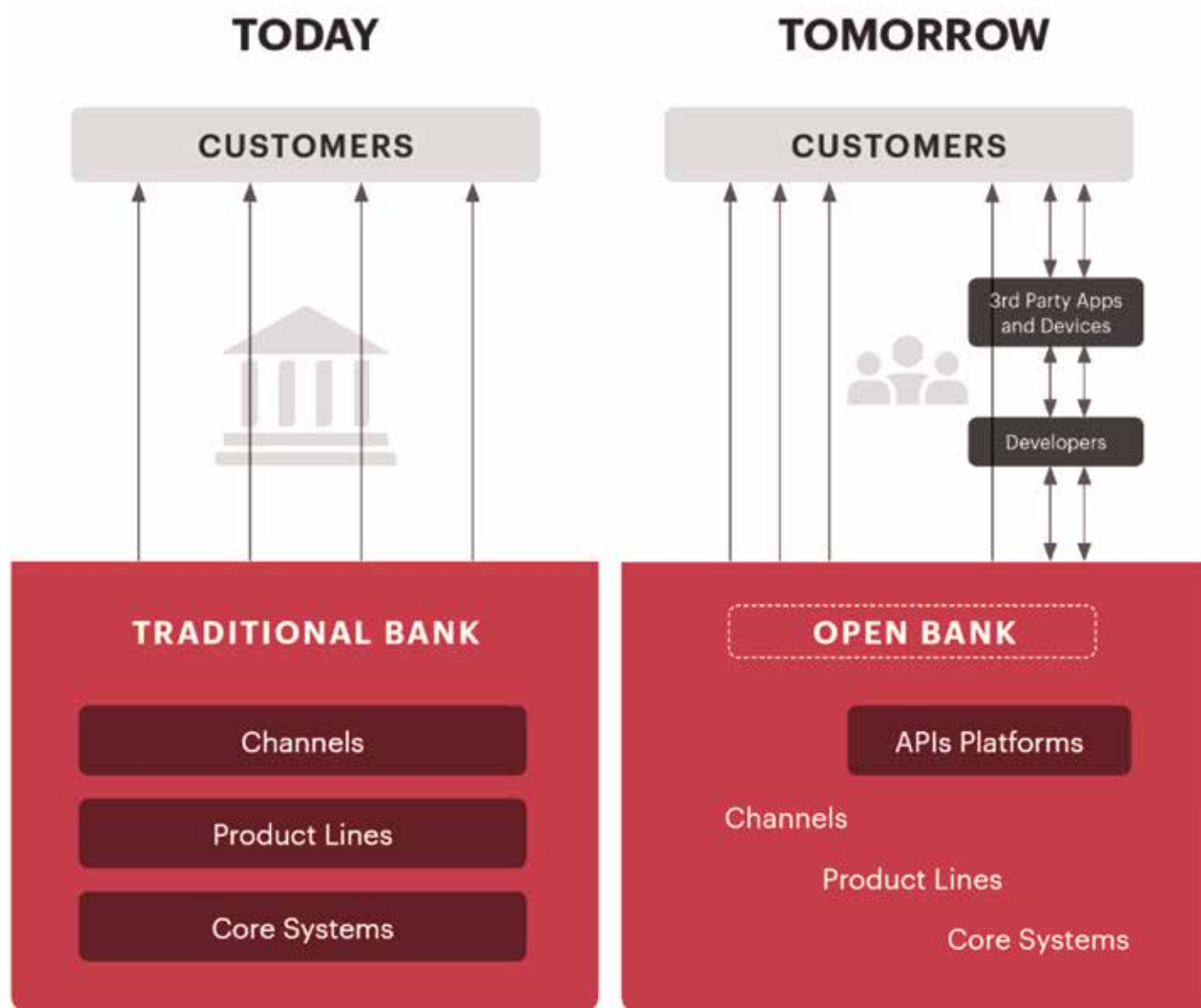
The practice of banks sharing data with licensed third-party service providers. The data is shared via secure application programming interfaces (APIs). The shared information includes account information, transactions, and other financial data. Open banking also covers payment initiation services, which enable third-party providers to offer an improved and convenient payment flow. Open banking has the potential to reshape the competitive landscape and consumer experience of the banking industry. Open banking raises the potential for both promising gains and grave risks to consumers as more of their data is shared more widely. With open banking, the digital value chain of banking gets opened up, allowing third parties to participate in the previously closed value chain. With initiatives underway in the Middle East – for example, the issuance of guidelines by Saudi Arabia's regulator – banks here need to prepare for its arrival. Factors driving Open Banking include regulatory policy developments, improved infrastructure, high rates of internet adoption, and use of mobiles. The COVID-19 pandemic has accelerated the need to progress Open Banking.



Open Banking Benefits



Open banking focuses on consumer needs, but end-users are not the only party benefiting from data sharing. Businesses, banks, financial institutions, and consumers all benefit from open banking. In a broad sense, open banking creates new opportunities for all parties involved, and benefits for one party can also create advantages for other parties involved. For example, open banking enables banks to offer more personalized solutions, which benefits consumers. But this also helps banks learn more about their clients and expand their product offerings. Hence, open banking creates opportunities for all parties involved and benefits everyone associated with it.





1. Open Banking benefits for businesses



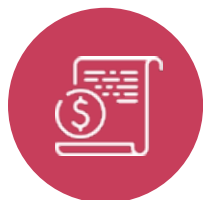
Lower fees

Open banking enables businesses to pay less for transactions. For example, account-to-account (A2A) payments can reduce transaction costs by eliminating card schemes. Card providers charge various fees for accepting card payments, which inflates the transaction costs. Companies can also save by choosing a payment gateway with the most cost-effective service. Open banking has helped more payment service providers join the market and offer services at competitive rates.



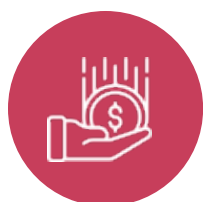
Higher conversion rates

Improved customer experience can also boost conversion rates. Choosing a payment gateway with a convenient checkout flow and multiple payment methods can benefit businesses by increasing their conversions.



Higher acceptance rates

E-commerce businesses and other companies can now accept payments from consumers anywhere in Europe. This can significantly boost companies' payment acceptance rates.



Instant settlement

Open banking enables more opportunities for third-party service providers to expand payment methods. Convenient A2A payments use instant payment rails, which means the funds travel faster. Even with cross-border payments, transfers can be instantly validated, enabling businesses to fulfill their orders quickly.



Personalization

Businesses can get more data about their consumers, their finances, and their habits. Having this information enables companies to offer more personalized services to their customers. For example, companies can find out about their consumers' spending habits and provide them with services to help save money.



2. Open Banking benefits for Customers



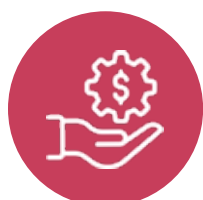
Customer experience

An improved customer experience is a result of two aspects open banking has created: a competitive environment and digital services. Open banking challenges the traditional ways of banking and has opened the door for more players to enter the market. Creating a competitive environment benefits consumers because, to stand out, companies need to ensure their customer service meets the highest standards. Secondly, open banking has made finance management more straightforward. Thanks to open banking regulations, legacy banks have improved their online services, which has resulted in an improved customer experience. Open banking is moving financial services from in-person to online, which results in quicker and easier finance management for consumers.



Security

Security is at the core of open banking. Now all third-party payment service providers must meet the highest security standards to operate in the market. Open banking has also brought more transparency to the banking industry since more players share data, and security features are more widely standardized. Consumer identity authentication has also been improved. For example, open banking and PSD2 in Europe have implemented Strong Customer Authentication (SCA), which adds an extra security layer to all electronic payments and reduces the risk of payment fraud.



Reduced service costs

With more competition, banks and other financial service providers are more likely to reduce their service costs to become more appealing to consumers. If consumers don't agree with the service provider's pricing, they can easily turn to another one and look for the best price.



Centralized information

Open banking enables the sharing of information that was previously only kept by banks. This data can now be transferred to licensed service providers with a consumer's consent, making banking operations quicker and more convenient. Thanks to centralized information, consumers can now get more services in one place. Financial services can meet more customers' needs by providing advice, loan information, and managing bank transfers with more visibility.



Innovative solutions

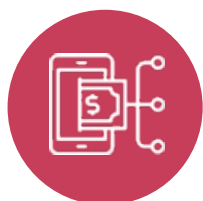
Information sharing has encouraged companies to create more innovative solutions. Fintech companies are creating technological solutions that legacy banks have never offered before. For example, enabling customers to conveniently pay for goods and services in physical stores without a bank card. Consumers can simply pay via their bank accounts.

3. Open Banking benefits for Banks



Bank and fintech collaboration

To stay relevant in the fast-changing world of finances, banks and financial institutions can partner with fintech companies. This enables banks to stay ahead of the competition and utilize innovative infrastructures created by fintech companies. With the help of APIs, open banking also enables data sharing between banks and fintech companies. This helps banks expand their knowledge in the tech field and stay up to date with innovative solutions emerging in the market.



New financial technologies

Open banking enabled licensed companies to join the playground, which, for a long time, was limited to legacy banks. These companies bring in new ideas and can create innovative financial solutions that banks rarely had the resources or motivation to invest in.

Fintech companies are quickly joining the market and offering various innovative financial technologies that benefit both consumers and banks that are willing to collaborate.



Better customer engagement

With so much competition emerging in the market, banks and financial institutions are forced to step up and improve their offerings. Banks are creating new mobile applications, offering easy investment opportunities, and shifting their services to the online world. Those companies that succeed in digital transformation benefit from improved customer engagement and satisfaction.



Key drivers in the Middle East



A number of factors are driving the adoption of Open Banking in the Middle East. Most obviously, there is the impact of the COVID-19 pandemic, which has accelerated the drive toward digitalization for banks and regulators alike.

Yet local policies are also playing an important part. Saudi Arabia, for example, is implementing a cashless agenda and aims to make 70 percent of transactions non-cash by 2030. Several key infrastructure projects are underway, including the digital rails that will allow real-time payments (such as Saudi Arabia's SARIE system), and provide a way for people and firms to send and receive funds securely and instantly. Saudi Arabia leads in this area with Saudi Payments; we are given to understand that the UAE's central bank is also planning a similar scheme.

The region's high level of internet penetration and mobile phone usage, and a population that embraces digital solutions, are supporting factors. World Bank figures show, for instance, that the UAE has one of the highest rates of internet penetration in the world at 99 percent, while its mobile phone penetration rate is 200 percent. Saudi Arabia isn't far behind, with rates of 96 percent and 120 percent respectively.

In addition, recent years have seen greater collaboration between countries in the financial services sector, with the UAE and Saudi Arabia's work on the viability of a single dual-issued digital currency for domestic and cross-border payments ("Project Aber") among the best-known.

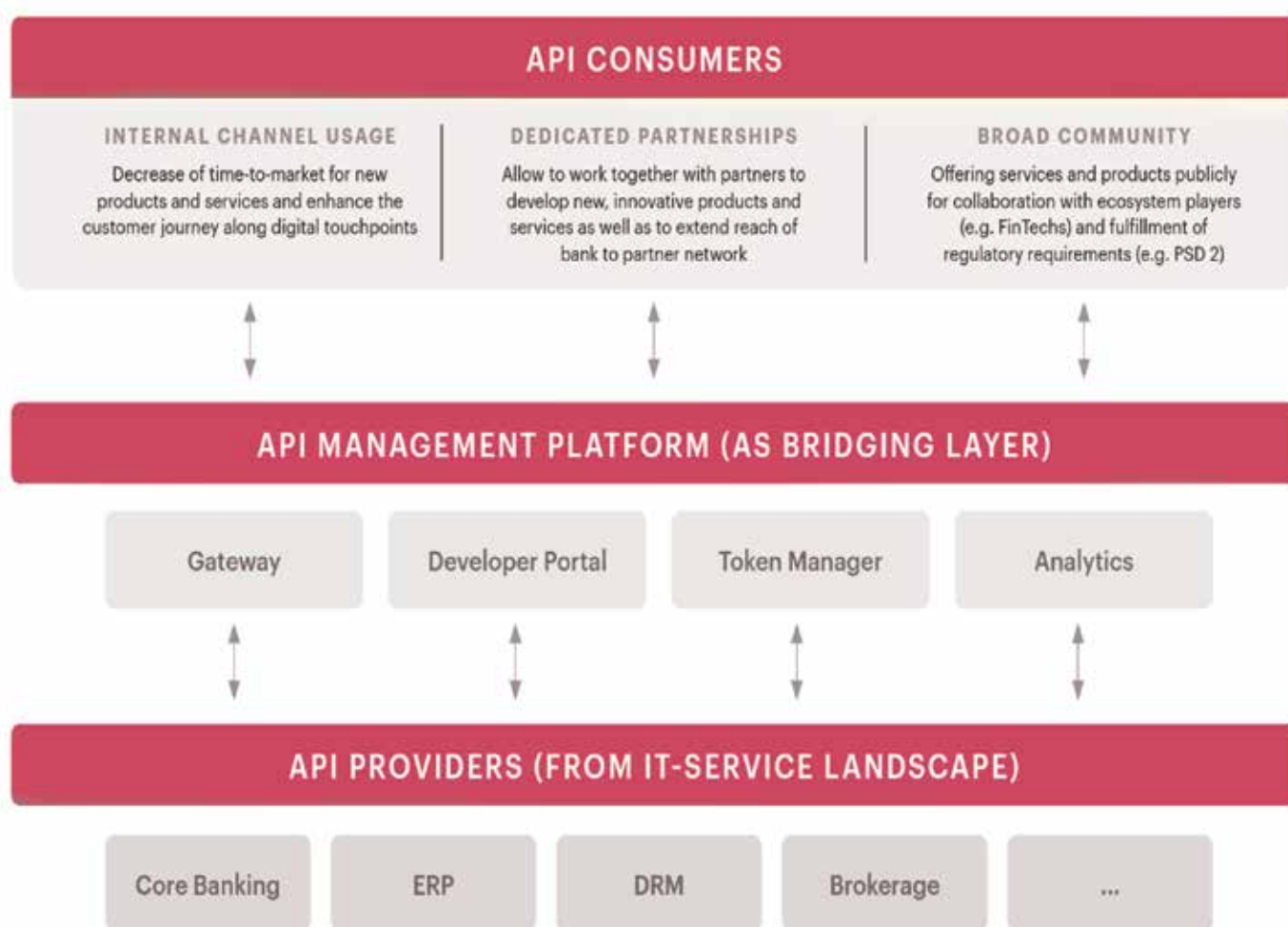


Open banking: a Platform based approach



The first, as seen in the EU and Australia, is the use of APIs to connect banks individually with aggregators, lenders, payments firms, and other fintech.

The second, favored by Singapore and Switzerland, is the use of a central API to which all parties, including banks, connect.





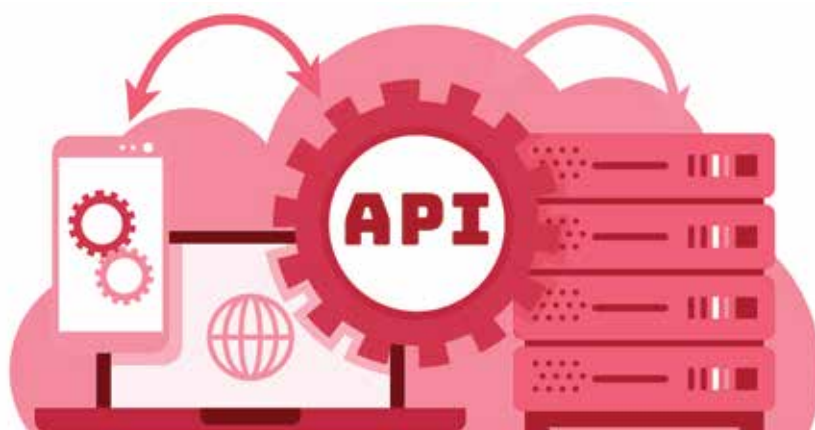
Platforms and APIs are core

Platforms are at the heart of Open Banking. Banks uncertain of the worth of platforms need to look only at the world's most valuable firms like Amazon and Facebook.

To succeed in Open Banking, banks should start flexing their business models to connect people and processes with assets, and backing that up with technology infrastructure that can manage interactions from internal and external users. At the heart of those interactions are application programming interfaces (APIs). These allow a direct connection between a customer's bank account and a range of related services that can be provided by banks or by third parties.

The API economy can bring significant revenue streams. APIs allow banks to charge for services that they offer through Open Banking or can be leveraged to cut costs, up-sell or cross-sell. There are numerous use cases for Open Banking, with more arising all the time. Some common use cases include seamless KYC processes; ecosystems in which APIs let customers link accounts across different banks, and which generate personal finance recommendations; bespoke services; and fraud prevention.

Payments are a crucial aspect of Open Banking – and one in which significant work has already been done, with, for example, Saudi Arabia and the UAE laying payment rails. Real-time payments are another potential addition to the Open Banking space, with areas of interest including customer-facing services like corporate treasury; payment services providers (PSPs); acting as a technology provider for merchants and other corporates; and operating Request to Pay (RTP) services



Open Banking by country: Bahrain



The governing body in Bahrain

The Central Bank of Bahrain (CBB) has developed guidelines and standards as part of the Bahrain Open Banking Framework (Bahrain OBF) to assist financial institutions and third-party providers in developing Open Banking solutions for growth and innovation in Bahrain's banking space. It is the vision of the CBB to expand the scope of traditional banking in Bahrain by promoting the adoption of the latest digital trends and innovative financial service solutions. The CBB has worked with the industry to design and develop rules related to Open Banking (Module OB in Volume 5 of the CBB Rulebook). Bahrain OBF aims to ensure a higher degree of consistency in implementing these rules by providing a common set of technical and customer experience standards across the Open Banking participants.

Background

The CBB's rules relating to Open Banking were introduced in December 2018, when the CBB mandated the adoption of Open Banking for all retail banks in the Kingdom. While a majority of the banks and the third parties have progressed on the implementation of Open Banking to meet the prescribed deadline of June 2019, in order to accelerate adoption, the CBB felt the need to ensure that there is a high degree of consistency in the implementation of Open Banking. Towards this objective, the CBB, in consultation with industry participants, has developed the Bahrain Open Banking framework of standards and guidelines.

Three themes have been identified that form the backbone of categorizing and developing the use cases for Bahrain OBF.

Payment Initiation Services (PIS)

Use cases facilitated by write access i.e. PISPs initiating payments for customers through their ASPSP accounts

Account Information Services (AIS)

Use cases facilitated by read access i.e. sharing of account information of customers by ASPSPs with AISP



Essentials Services

Basic use cases covering consent and notification applicable to both AIS and PIS



List of Use Cases

In consultation with the Open Banking participants, a list of use cases have been finalized to be part of Bahrain OBF v1.0.0:

No.	Category	Use cases	Description
1.	Payment Initiation Services	Single Domestic Payment Account selection @ PISP Account selection @ ASPSP Account selection @ PISP/ASPSP with Supplementary information	Single Domestic Payment allows the user/customer, post his/her consent to the PISP to make a one-time payment for a specific amount to a specific payee immediately, wherein the PISP provides this instruction to the customer's ASPSP.
2.	Payment Initiation Services	Single Future Dated Domestic Payment Single Future Dated Domestic Payment Cancellation of Single Future Dated Domestic Payment @ PISP	Single Future Dated Domestic Payment allows the user/customer, post his/her consent to the PISP to make a one-time payment for a specific amount to a specific payee on a specific future date, wherein the PISP provides this instruction to the customer's ASPSP.
3.	Payment Initiation Services	Single International Payment	Single International Payment allows the user/customer, post his/her consent to the PISP to make an international payment for a specific amount to a specific payee, wherein the PISP provides this instruction to the customer's ASPSP.
4.	Payment Initiation Services	Bulk/Batch Payment	Bulk/Batch Payment allows the user/customer, post his/her consent to the PISPs to initiate multiple payments to one or more beneficiaries in a single transaction, wherein the PISP provides this instruction to the customer's ASPSP.



5.	Account Information Services	Sharing Transaction History/ Account Information	Account Information Sharing allows the user/customer, post his/her consent to the AISP to instruct his/her ASPSP to share the users'/customers' data. The AISP can access the user/customer data to provide recommendations/ innovative financial products and services as per his/ her needs.
6.	Account Information Services	Sharing Product Details	Sharing Product Details allows third party developers (such as AISPs) to request for the ASPSPs products and services details. The ASPSPs accordingly share the requested information through standard APIs.
7.	Essentials Services	Consent Management Consent Dashboard and Revocation Access Dashboard and Revocation	Consent Dashboard allows the user/customer to view, refresh and revoke consent that they have given to the AISP to access the users'/ customers' data Access Dashboard allows the user/customer to view, refresh and revoke access that they have given to that AISP through the ASPSP portal



8.	Essentials Services	<p>Notification</p> <p>Event Subscription</p> <p>Real Time Notification</p> <p>Aggregated Polling</p>	<p>Event Subscription allows an AISP and (or) PISP to register with an ASPSP to subscribe to real time and (or) aggregated polling event notifications, specify a list of event types to be notified on and optionally read, update or delete a registered event subscription</p> <p>The Real Time Notification allows the ASPSP to notify an AISP and (or) PISP in real time, that an event has occurred</p> <p>Aggregated Polling allows the AISP and(or) PISP to request the ASPSP for an aggregated set of notifications related to multiple user/customer accounts during a specific period, enabling them to update their records and contact the user/customer</p>
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Open Banking by country: UAE



Background & governing body

In UAE, Open Banking has been more of a market-led initiative, supported by the Central Bank UAE and Emirates' Regulators with fintech-related initiatives, innovation hubs, and funding. The Dubai Financial Services Authority (DFSA) has developed a licensing framework for TPPs (AIS and PIS) and has announced, in April 2022, its first Open Banking license (granted to Tarabut Gateway). Meanwhile, the penetration of digital services across the UAE has developed at a significant pace with government utilities and service payments all now available through apps or online, fintech solutions that consumers are now used to accessing, and innovation-driven mostly by customers' demand and experience.

Going beyond the regulation and the pure compliance exercise has allowed UAE to nurture dynamic fintech companies, also supported by the Open Finance Lab launched in April 2022 by DIFC (Dubai International Financial Center). In parallel, the Central Bank UAE is drafting a high-level Open Banking framework to set ground rules and level the playing field among players



Open Banking by country: Saudi Arabia



Background & governing body

The Kingdom of Saudi Arabia has launched Open Banking in January 2021, with a Regulator-led initiative driven by the Saudi Central Bank (SAMA). In line with the objectives of the National Fintech Strategy, the imperatives of the Saudi Open Banking framework are to unlock innovation opportunities for incumbents and fintech, to promote financial inclusion and to drive the digitisation of the financial sector.

The comprehensive framework includes an Open Banking mandated regime, rules for TPP (third party providers), technical, and securities standards that market participants are implementing ahead of its full realisation by the end of 2022.

Complementary initiatives have also been launched: Fintech Saudi (2018), that acts as a catalyst for entrepreneurs to develop and promote their solutions and access funding; Regulatory Sandboxes with rounding cohorts; and the Open Data Platform (2021), to offer economic, financial, and monetary statistics and indicators for Saudi Arabia that can be acquired through API interfaces.

With this progressive approach, Saudi Arabia has allowed early-stage fintech ventures to grow and expand, as demonstrated by Lean Technologies (the first payment aggregator to attract the interest and investments of giants such as Sequoia Capital).



Open Banking by country: Oman



Background & governing body

In Oman, the Central Bank of Oman is driving an initial Open Banking initiative, not yet live. The country's roadmap plans several ecosystem accelerators including a regulatory sandbox, a cloud computing framework, and an e-KYC initiative. The key drivers are improving the country's financial services sector and increasing financial inclusion.

Open Banking by country: Kuwait

Background & governing body

In Kuwait, Open Banking is yet to be defined but an initiative has recently been undertaken. The country's core objectives remain similar to the rest of the GCC with the promotion of financial inclusion through leveraging technology to address consumer and business needs at its heart, coupled with the need to expand the product offering to SMEs and to promote competition and diversification within the financial sector.

Open Banking will be led by the 'Open Banking Working Group', with participants from the main banks and the Central Bank.



Technology to Open doors



The adoption of open banking in the middle east is an ever-evolving process and the role of technology cannot be overstated. As discussed already, open banking brings huge benefits for businesses, customers and the banks. It allows a seamless interconnection between these key entities and helps make all banking-related activities more effortless. Technology provides banks with the necessary tools to adopt a platform and API-based approach, which can accelerate the growth of open banking. By utilizing the latest advances in technology, banks are able to develop more secure and customer-friendly banking experiences, making new services more accessible to their customers.

As we can see, states like Saudi Arabia, Bahrain, UAE have already set plans in motion to prepare themselves for the future. The open banking regulatory frameworks developed by these states have invited global fintech companies to expand their services in the middle east. Going forward, open banking in the middle east is set to become an integral part of the region's financial landscape, providing banks with the opportunity to build stronger customer relationships and create higher levels of customer satisfaction.

It's essential for banks and financial institutions to adopt the latest technologies in order to keep pace with their competitors. They need to find the right technology partners in order to do so.

The Robosoft Advantage



Robosoft is a full-service digital experience company with a mission to Simplify Lives. We offer end-to-end solutions in product advisory, design, engineering, and analytics - a one-stop partner for digital solutions.

The delightful and intuitive digital experiences we craft help enterprises offer great customer experiences and drive brand preference. In 1996, when we started operations, our first customer was Apple Inc. Since then, we have played an active role in the ever-changing world of digital experiences – from mobile app development to emerging technologies in digital experiences.

We have partnered with several prestigious brands around the globe in crafting digital experiences across mobile banking, insurance, payments, asset management and more. We have crafted over 2000 digital experiences and our apps have garnered over a billion downloads. Our customer-centric solutions are tailor-made to suit our client's requirements and sure to deliver business results

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