

India-Brazil FinTech Webinar

“Open Banking Technologies: Disrupting the Current Banking Infrastructure in Emerging Economies”

15 September 2020, 9h00 (BRT), 17h30 (IST)

Agenda: To discuss the role of the Open Banking sector in promoting financial inclusion and customized financial products to consumers, as well as the innovations that have emerged in Brazil and India in the context of the open banking.

Webinar Viewership:

Platform	Twitter	YouTube	LinkedIn	Facebook	Total:
Viewers	566	801	1497	2180	5044 viewers

Key Outcomes and Observations

- Open Banking is driving innovation, and Open Finance will provide consumers with control, clarity, and insight over their holistic financial data.
- Open Banking has changed the rules and reshaped the payment ecosystem to empower innovation, competition, but mainly collaboration through new business and delivery models.
- Open Banking gives the opportunity to the merchants to access the customer bank accounts directly, eliminating the middle players, the intermediary systems and therefore cutting costs for the merchants.

India:

- Open banking in India started informally with Unified Payments Interface (UPI) and identity stack Aadhar which democratized the payments ecosystem and Know Your Customer (KYC) space respectively. The third step in this direction would be the upcoming payment aggregation platform where customers can give consent for sharing their bank account information to any third party.
- Open banking has the potential to enhance the customer experience in the financial ecosystem as well as democratize the railroads made available for this enhancement.

Brazil:

- Open banking is a very important part of the work “Agenda BC#” of the Brazilian Central Bank (BCB). The objective behind the project is to enhance the efficiency of the system while balancing the security and stability concerns of the financial system in the country.
- Open banking breaks the exclusivity relationship between supply and distribution (or interface) of financial services which increases competition within and between these two domains.

Discussion Highlights:

Panelists

1. Mr. João André Calvino Marques Pereira, Head of Department of Financial System Regulation, Brazilian Central Bank (Brazil)

- Open banking is a very important part of the work “Agenda BC#” of the Brazilian Central Bank (BCB). The objective behind the project is to enhance the efficiency of the system while balancing the security and stability concerns of the financial system in the country.
- Sharing data in a secure manner can reduce “information asymmetry” and provide better pricing of products and reduced interest rates for the customers. Open banking will also enhance to use of credit information, improve competition and provide an ecosystem in which new entrants in the financial sector can reach the unbanked population and tackle the issue of financial inclusion in Brazil.
- According to the open banking regulation by BCB, the big banks must open their APIs and information to other licensed financial ecosystem players. The reciprocity rule built in the regulation would ensure that the users of such information also open their APIs and data to others in order to maintain the symmetry.
- Implementation of the open banking regulation should be complete by October 2021. The system will include information on products offered by financial institutions, KYC, and transaction data, among others.
- Defining technological standards is the key to open banking, and regulation should be neutral with regards to it. Through the novel approach of “assisted governance”, BCB aims to combine the security of a regulated environment with the agility of the market in defining technologies while at the same time ensuring active participation of the market players in the process of open banking implementation.
- There is space for the international open-banking system, which will depend on collaboration among regulators for the development of common standards.

2. Mr. Anupam Bagchi, Chief Business Officer, Jupiter (India)

- Open banking in India started informally with Unified Payments Interface (UPI) and identity stack Aadhar which democratized the payments ecosystem and Know Your Customer (KYC) space respectively. The third step in this direction would be the upcoming payment aggregation platform where customers can give consent for sharing their bank account information to any third party.
- Unlike in Brazil, a common framework for open banking is not in place in India yet which creates implementation hurdles as different banks mandate divulging of different sets of information with different conditions to the third-party developers. Additionally, India has nearly 50 commercial banks and each of them is in a different stage of digitization and a complete open-banking stack is not available with any bank in totality.

- Micro-lending and wealth management services are not accessible to all categories of customers from banks in India which open banking has the potential to provide.
- India recently came out with guidelines on conducting the KYC process through a video call. On the B2B side of technologies enabling open banking, 3 types of stacks come into the picture where banks collaborate with fintechs providing the APIs for these stacks – onboarding of the customer (e.g. video KYC), payments, and lending.

3. Ms. Mariana Cunha e Melo, Public Policy Manager, Nubank (Brazil)

- Currently, in Brazil, most of the credit, deposit, and personal data of customers are within large institutions. This creates entry barriers for new entrants in the financial market, which can be reduced through open banking implementation.
- Open banking breaks the exclusivity relationship between supply and distribution (or interface) of financial services which increases competition within and between these two domains. It can also potentially result in lower switching costs for end-users which will, in turn, increase their sensitivity to the quality of service and interface being provided by the financial entities, thus, incentivizing the entry of new players with innovative products and services in the market.
- Although Nubank has nearly 30 million customers, it is still a new player with respect to the deposit and credit operations of the company. Thus, Nubank believes that competition is necessary to empower customers with better services and mobility. The two current trends in digital payments and services are a push for instant payments and less complex experiences, as well as the building of ecosystems that enable direct communication between two users through API.
- It is important to have regulation and standardization on the underlying technology used for communication among the entities for implementing open banking as it would reduce the cost of integration for accessing the data and would consequently reduce the entry barriers and dependencies on intermediaries for new market players. The specifications for these standards should ensure a minimum viable experience for customers, with security always in mind, while leaving room for evolution.
- Since 2018, Brazil has a regulation on cybersecurity with a risk-based approach for regulated entities. As an institution has to be a regulated entity to participate in the open banking ecosystem in Brazil, there is already a basic security and data protection framework in place.
- In Open Banking, it is important to strike a balance between the user experience and security, and we are already in a technological stage where both can be satisfactorily met.

4. Mr. Tependra Bhattacharjee, Head - Digital Banking, Direct Banking & Analytics, RBL (India)

- Open banking has the potential to enhance the customer experience in the financial ecosystem as well as democratize the railroads made available for this enhancement, e.g, UPI, Aadhar, etc.
- India's journey towards open banking started in 2005-6 when the entire open stack architecture started evolving from peer-to-peer (P2P) payments. Beginning from 2015, micro-lending and financial inclusion startups started appearing on the horizon. Today, the open stack architecture is being used primarily for the enabling of neobanks. What we start to see now is a collaboration between fintechs and banks, with support from regulators such as the Reserve Bank of India.
- A seamless and homogenous sharing of data between entities is as prone to privacy invasion risks as are all other types of transactions in the digital finance ecosystem.
- In India, Neo-Banking is primarily a technology layer on top of the banking API stack, and thus, sharing of data in this scenario is a concern because each bank, based on its capabilities, interprets differently the regulatory limit to which a bank can expose its customer data.
- By enabling more control in the customer layer of the stack and thereby allowing the customers to control their data flow, data security can be further strengthened in a digital finance ecosystem.

Annexure - I

Participants

Panelists

Mr. João André Calvino Marques Pereira, Head of Department of Financial System Regulation, Brazilian Central Bank (Brazil)

Ms. Mariana Cunha e Melo, Public Policy Manager, Nubank (Brazil)

Mr. Tependra Bhattacharjee, Head - Digital Banking, Direct Banking & Analytics, RBL (India)

Mr. Anupam Bagchi, Chief Business Officer, Jupiter (India)

Moderators

Sec. Lucas de Brito Lima, ST&I Section, Embassy of Brazil in New Delhi

Ms. Shruti Chandra, Sr. AVP & BFSI Lead, Invest India

Invest India Team

Mr. Atharv Mankotia, Sr. Investment Specialist – BFSI, Invest India

Ms. Shivangi Jain, Senior Manager & Lead – Partnerships, Startup India, Invest India

Mr. Agrim Aggarwal, Associate – BFSI, Invest India

Mr. Gautam Anand, Marketing Lead, Startup India

Ms. Mehar Ahluwalia, Associate – Brazil Team, Invest India

Ms. Navya Sharma, Associate – Startup India, Invest India