ema

Electronic Money Association - Lithuania
Vilniaus g.31
Vilnius
LT-01402
Lithuania
Telephone: 00370 52100205
www.e-ma.org

Auris Germanavičius
Lietuvos Bankas
Gedimino pr. 6,
LT-01103 Vilnius
Lithuania

31 January 2019

Dear Sir/Mrs,

Re: Bank of Lithuania consultation on Open Banking

The EMA is the EU trade body representing electronic money issuers and alternative payment service providers. Our members include leading payments and e-commerce businesses worldwide, providing online payments, card-based products, electronic vouchers, and mobile payment instruments. Most members operate across the EU, most frequently on a cross-border basis. A list of current EMA members is provided at the end of this document.

The EMA welcomes the opportunity to provide comments on the Open Banking initiative in Lithuania.

I would be grateful for your consideration of our comments and proposals.

Yours sincerely,

Dr Thaer Sabri
Chief Executive Officer
Electronic Money Association

Bank of Lithuania Open Banking Consultation Questions:

1. What are the main benefits of Open Banking for your company/organisation? Do you find it useful for the development of new products or services?

No comments.

2. Do you consider developing, in the next few years, APIs or Open Banking services that are not required under PSD2? Can you provide any examples?

The work of the API Evaluation Group[1] to evaluate emerging PSD2 API standards initiatives across Europe has highlighted that when payment account providers ("ASPSPs") take a minimal compliant approach to the design of the interfaces required under Directive 2015/2366 (hereinafter "PSD2"), the resulting functionality may not meet the requirements of the Third Party Provider ("TPP") market that are striving to deliver innovative customer experiences and products. For example, the Evaluation Group concluded that API standards should support the exchange of data for both ASPSPs and TPPs to mitigate against fraud. The inclusion of personal identity information (such as name, address, and date of birth) in API data would enable TPPs to assess and mitigate against fraud risk. This is still debated. While some have argued that this goes partly beyond the requirements of PSD2 and the EBA RTS on SCA and SCS ("RTS"), others have argued that not providing this data would imply an obstruction to the provision of PIS and AIS[2].

So in the first instance, the EMA would like to strongly recommend that when payment account providers develop their PSD2 API services, they consider functionality that may go beyond a restrictive interpretation of the legal requirements, in order to meet TPP market needs. This could include API support for (i) PSU authentication methods that add less friction to the user experience (e.g. Embedded), (ii) wider TPP access to SCA exemptions, (iii) greater TPP involvement in the SCA decision-making process in arrangement with the ASPSP. This will incentivise account providers to offer APIs which TPPs will want to use, and help to drive adoption.

Secondly, in order to realise the full consumer benefits of Open Banking, and in turn, allow businesses to create new and innovative products, the EMA strongly supports the development of APIs or Open Banking services beyond PSD2 and payments requirements. Access to product, account, and transactional data from across a broad range of deposit and lending products will transform the banking ecosystem.

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[1]https://www.europeanpaymentscouncil.eu/sites/default/files/kb/file/2018-09/API%20EG%20002-18%20v1.3%20Terms%20of%20Reference%20API%20Evaluation%20Group.pdf

[2]EBA Opinion on the RTS on SCA and CSC (EBA-Op-2018-04), paragraph 27

3. What are the main barriers in developing new APIs or Open Banking services for your organisation?

As discussed in Q2, from a TPP perspective one of the main barriers to developing new Open Banking services can be the limited functionality and scope of ASPSP's PSD2 APIs. TPPs are largely competing on the basis of improved customer experience and ease of use of their products when compared to traditional banking services. However, if TPPs are relying on data from APIs that may restrict their ability to innovate, or is too prescriptive in the user interface that can be delivered, then TPPs face barriers to developing new products and services.

We note that Lithuanian banks are likely to adopt the Berlin Group standards and would welcome if the Bank of Lithuania were to encourage the development of APIs that also support the full range of API Evaluation Group Recommended Functionalities[1] and maybe more. We are confident that the TPP community would leverage the opportunity and make Lithuania a showcase for Europe.

4. Would you agree to have links to the APIs of your organisation in the register of the financial sector APIs maintained by the Bank of Lithuania? If not, why? Have you any suggestions in this regard?

The EMA welcomes the concept of publishing a catalogue of links to financial sector API developer portals and documentation in one place, as it could be helpful for new providers entering the Lithuanian market and may help to drive adoption of APIs in Lithuania. The EMA would suggest that the access to the API register should be live and machine-readable, with eventually the possibility of using push notifications.

5. What information provided by the Bank of Lithuania via Open APIs would you find useful? What data would be of the highest priority for you?

The EMA considers that enabling access to the data held in the Bank of Lithuania's national register of financial institutions via an API could help drive the adoption of Lithuanian PSPs' products and services within Lithuania and across Europe.

This is because one issue within the Open Banking ecosystem, at a Europe-wide level, is that of enabling ASPSPs to accurately confirm a TPP's regulatory permissions when presented with the TPP's eIDAS certificate [Art 24, RTS on SCA and CSC (CDR 2018/389)]. Whilst the information in the eIDAS certificate is accurate at the time of issue, the TPP's regulatory status may have changed in the interim period, and ASPSPs are likely to mitigate against the risk that they are interacting with an unauthorised TPP by checking the TPPs' authorized status. Third party solutions to assist ASPSPs to check a TPP's status on National Competent Authority registers are emerging in the market place.

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[1] https://www.europeanpaymentscouncil.eu/document-library/guidance-documents/api-evaluation-group-recommended-functionalities-psd2rts

Real-time API access to Bank of Lithuania's national register data will support eiDAS certificate providers (QTSPs) when they are issuing certificates to TPPs and the development of solutions for accurately checking Lithuanian TPPs' regulatory status on an on-going basis, hence helping to drive adoption of Lithuanian TPP products and services.

6. Would you agree to develop the Open data APIs according to the UK Open Banking Standard? If not, why? Which other Open Banking standard would you suggest using for Open APIs development?

The EMA acknowledge that the UK Open Data standard is well developed and as such would be a natural choice for the Lithuanian market to adopt. However, the UK Open Data standard has been tailored specifically for the products and services in the UK market, and we would recommend that before adopting these standards the Bank of Lithuania work with industry to thoroughly analyse whether they are equally applicable in Lithuania. In addition, we note that as Lithuanian banks are adopting the Berlin Group standards for PSD2 APIs that any choice of open data standards should be compatible so as not to introduce implementation complexity for the market.

7. What banking product information (listed in Annex 2) would you find valuable for developing Open Banking products and/or services? Are there any other banking products or data which you would find useful for developing Open Banking products or services?

The EMA notes that e-money products, including wallets and prepaid cards, are not contained in the list of account types in Annex 2 of the consultation. E-money issuers often offer products that are comparable to those offered by credit institutions, such as an e-money account with a prepaid debit card that operates like a basic bank account. Therefore, to enable Lithuanian consumers or businesses to compare services offered by e-money issuers with incumbent banks, it follows that e-money product data could be included in open data APIs.

Including product data on innovative financial products such as e-money will help drive competition in the Lithuanian payments market.

8. Would you agree to develop the above described Open data APIs without regulatory legal requirements?

The EMA supports the development of the described Open Data APIs and recognises that without legal obligation to provide open data the market may be too fragmented to deliver real benefits to competition and innovation. However, the EMA would recommend that the Bank of Lithuania consider the full cost-benefits of mandating that all financial providers have to provide product and service data via an API. The analysis should explore the impact on smaller financial institutions to ensure that the provision of open data would not become a barrier to offering services in Lithuania.

9. Would you agree to participate in the process of creating the common market API standards for different banking products and services (beyond the PSD2 requirements)? Would there be a need to have an interactive API developer portal where agreed market API standards could be tested?

The EMA is willing to participate in the process of creating common market API standards that would go beyond PSD2 requirements. We have been actively involved in the development of the UK's Open Banking Standards, the API Evaluation Group, and the ERPB's Working Group on Payment Initiation and could bring this experience to the Lithuanian process.

The EMA also supports the concept of the Bank of Lithuania developing a regulatory 'sandbox' that would allow the API standards to be tested and new products and services to be developed prior to firms gaining authorisation. It would drive a pipeline of open banking innovation in Lithuania and it may attract companies from across Europe to Lithuania.

10. Do you have any other suggestions on how the regulator could facilitate Open Banking in Lithuania?

Previously, the possibility of creating a working group to facilitate Open Banking in Lithuania was raised. However, the scope of the working group's mandate will need to consider whether this is strictly a PSD2 compliance exercise or more market oriented, seeking to deliver user value. In that case it must address 'good practices' even if they go beyond PSD2, and perhaps consider APIs for other products such as savings, mortgages and pensions. EMA members are in favour of building a more comprehensive ecosystem, with greater API functionality, building good practice, and working beyond PSD2.

List of EMA members as of January 2019:

- Airbnb Inc
- Allegro Group
- American Express
- Azimo Limited
- Bitstamp
- BlaBla Connect UK Ltd
- Blackhawk Network Ltd
- Boku Inc
- CashFlows
- Circle
- Citadel Commerce UK Ltd
- Coinbase
- Corner Banca SA
- Curve
- eBay Sarl
- ePayments Systems Limited
- Euronet Worldwide Inc
- Facebook Payments International Ltd
- First Rate Exchange Services
- Flex-e-card
- Flywire
- GoCardless Ltd
- Google Payment Ltd
- IDT Financial Services Limited
- Imagor SA
- Intuit Inc.
- Ixaris Systems Ltd
- Merpay Ltd.
- MuchBetter
- myPOS Europe Limited
- Nvayo Limited
- One Money Mail Ltd
- Optal
- Ozan
- Park Card Services Limited
- Paybase Limited
- Paydoo Payments UAB
- Payoneer
- PayPal Europe Ltd
- PayPoint Plc
- Paysafe Group
- PPRO Financial Ltd
- PrePay Solutions
- QIX Ltd
- Remitly
- SafeCharge UK Limited
- Securiclick Limited
- Skrill Limited
- Starpay Global Ltd.
- Stripe
- Syspay Ltd
- Transact Payments Limited
- Transact24 (UK) Ltd
- TransferMate Global Payments
- TransferWise Ltd
- TrueLayer Limited
- Trustly Group AB
- Uber BV
- Valitor
- Vitesse PSP Ltd
- Viva Payments SA
- Wave Crest Holdings Ltd
- Wirecard AG
- Wirex Limited
- Worldpay UK Limited
- XCH4NGE LTD