

Global lessons on open finance for Kenya's silicon savannah

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Open finance is a new way to connect consumers and financial institutions

Attributes of open finance ecosystems

- **Consumer consent-based sharing of data across financial service providers**, giving consumers more control over how and with whom their data is used.
- **Providers access to consumer data at consumer's direction—not the financial institution.** Providers can design and offer new products and services, improving competition and innovation, without having to negotiate access with the consumer's account holder.
- **Robust data protection, liability frameworks, clear governance systems** are a must—and a strong policy mandate a near must.

These are not open finance

- Bilateral APIs
- Open API standards
- Interoperable payments (but they are a factor in OF's success)
- Sharing of consumer data between firms without the customers control

Open finance can increase financial inclusion through several positive impacts



Cost: Cheaper customer onboarding and assessment. Reduced losses due to improved risk assessment.



Fit: Ability to better customize products to target customer needs and provide tailored advice.



Access: More data makes new customers visible and assessable. Better targeting and higher conversion rates. Opportunities for embedded finance.



Experience: Customers have more control over their data. PFM solutions can provide a user-friendly unified view and access to all financial services.

Image Source: Ivo Jenik, Rafe Mazer, and Maria Fernandez Vidal. 2024. "[The Building Blocks Supporting Open Finance.](#)" CGAP.

Open Finance is increasing the value of financial services in Brazil

Massive scaling of digital inclusion

35M+ active consents by individuals

Source: <https://dashboard.openfinancebrasil.org.br/transactional-data/unique-consents/receivers>

55M+ active account consents

Source: <https://dashboard.openfinancebrasil.org.br/transactional-data/active-consents/receivers>

2B+ API calls per week

Source: <https://dashboard.openfinancebrasil.org.br/transactional-data/api-requests/evolution>

Reduced costs of services

\$690,000 in reduced interest charges for customers, including overdraft, reported by Nubank, Brazil's largest digital bank

Source: <https://valorinveste.globo.com/produtos/servicos-financeiros/noticia/2023/09/21/com-ferramentas-do-open-finance-clientes-do-nubank-economizaram-r-4-milhoes-em-juros>

Improved access to credit products

18% growth in volume of SME credit 2020-2021

Credit approval dropped from **15 to 5 days**

Source: Open Finance Network Canada, 2024

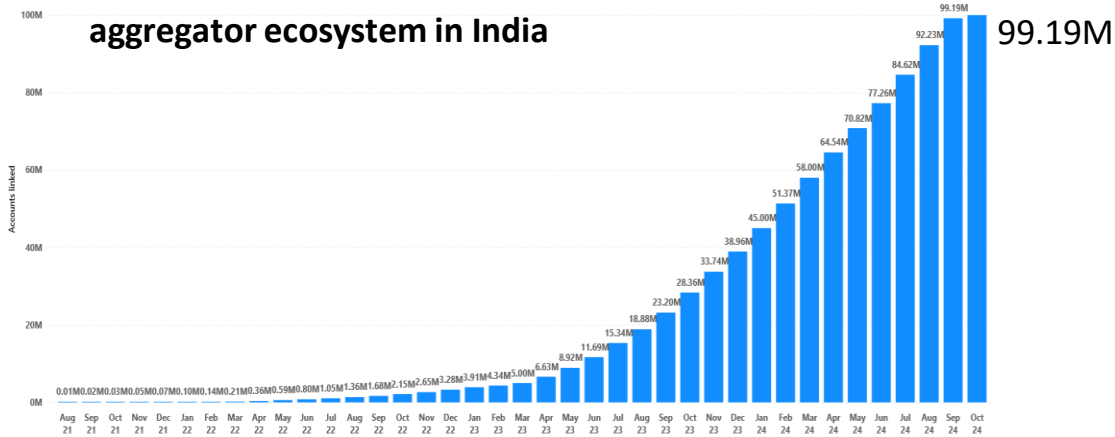
\$1.4M total amount Banco do Brasil reported increasing cumulative credit limits for clients due to open finance

Source:

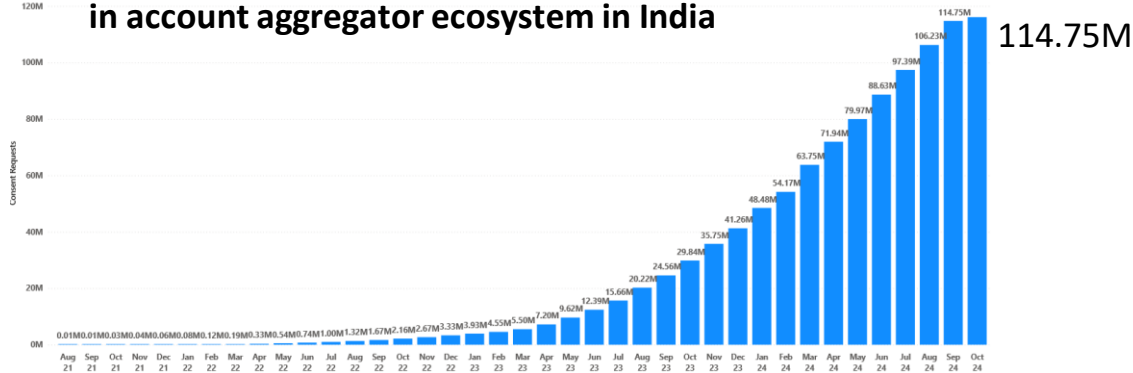
<http://www.broadcast.com.br/cadernos/financeiro/?id=YlItDcwb1JUbfJZYUJqR2ZJdkIJQT09>

Open Finance is connecting India's economy to formal finance

Cumulative accounts linked to account aggregator ecosystem in India



Cumulative consent requests successfully fulfilled in account aggregator ecosystem in India



Government data sharing infrastructure

Government tax records (GEM-Sahay)

Unified Payments Interface

Lending service providers license and Unified Lending Interface

AgriStack
Farmer/plot registries, Unified Farmer Service Interface, Crop Sown Registry

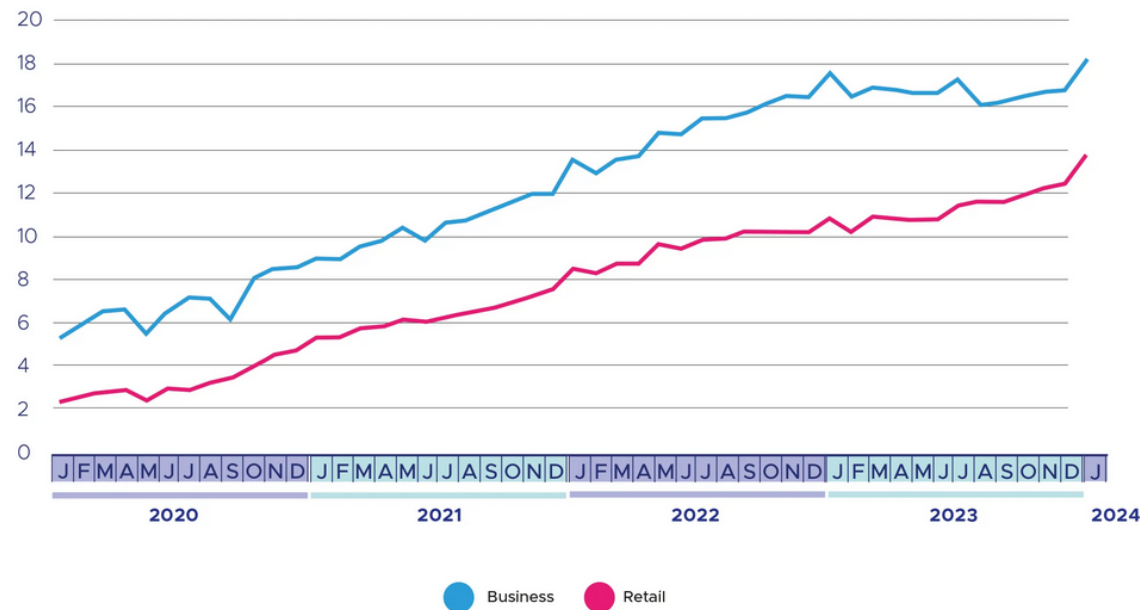
Lending pilot using account aggregators:
-55% increase in credit limits
-75% reduction in loan processing costs.
Source: "State of India's Digital Economy." 2023. Centre for Internet and Digital Economy.

Source: <https://sahamati.org.in/aa-dashboard/>

Open Finance is reducing costs for businesses and government in the United Kingdom

18% utilization of open banking by SMEs by end 2023

Figure 2: Open Banking Penetration: consumer vs small business



Source: [The Open Banking Impact Report](#). March, 2024.

Government use cases can save money and increase efficiency:

Her Majesty's Revenue and Customs uses Open banking account information services data to:

- verify customers for refunds;
- carry out checks against fraud;
- process payments and refunds at reduced cost and faster than before.

Source: <https://www.globalgovernmentfintech.com/hmrc-open-banking-account-information-services-p800-repayments/>

Open finance benefits from other infrastructure building blocks

Key policy and regulatory enablers	Building blocks	Intended outcomes
Expand regulation, coordination, governance, consumer protection beyond the financial sector	Open data	Further the impact of open finance
Open finance regulations, Data Protection (for OF)	Open finance	Increased competition/reduced concentration, increased depth and breadth of FS, user control of data
Reg/Sup framework for fintech and payments, innovation facilitators	Diversity of providers	Expanding and diversifying product offering
Fast payments, low cost/free payments. Digitization of G2P, interoperability	Fast digital payments	Increasing use of transactional accounts. Digital payments mimics cash (increasing utility of digital payments)
Basic Enablers (e-money, risk based CDD, agents, and Consumer Protection)	Digital accounts	Broad access to accounts

Source: Ivo Jenik, Rafe Mazer, and Maria Fernandez Vidal. 2024. "[The Building Blocks Supporting Open Finance](#)." CGAP.

Some insights on open finance for Kenya to consider

1. Mandatory participation matters for speed and scale

For further discussion see Rafe Mazer. 2023. "[Moving Markets Towards Open Finance](#)." Fair Finance Consulting.

2. Governance systems need to be well-defined and be granted sufficient powers to enforce rules and standards

1. Clear and mandatory API standards
2. User experience and interface design standards
3. Governing body with decision-making and enforcement powers
4. Participant registry
5. Strong data protection and liability frameworks to ensure trust, uptake, and reduce risk
6. Regulatory powers to make final decisions when needed
7. Ability to adapt model and expand coverage over time

Some insights on open finance for Kenya to consider

3. Provider dispute resolution mechanisms are essential

For further discussion see Rafe Mazer. "[Consumer Protection for Open Finance Ecosystems](#)." 2023. Fair Finance Consulting.

4. Financial inclusion should be designed for in open finance

For further discussion see: Plaitakis and Staschen. "[Open Banking: How to Design for Financial Inclusion](#)". 2020. CGAP: Washington, DC.

5. Supervision and quality data reporting need to be built in early

For further discussion see Rafe Mazer. "[Consumer Protection for Open Finance Ecosystems](#)." 2023. Fair Finance Consulting.

Voluntary models may not get us where we need to go

Open banking is ready for Nigeria, but CBN's approval stands in the way

By **Kenn Abuya**

Oct 10, 2024

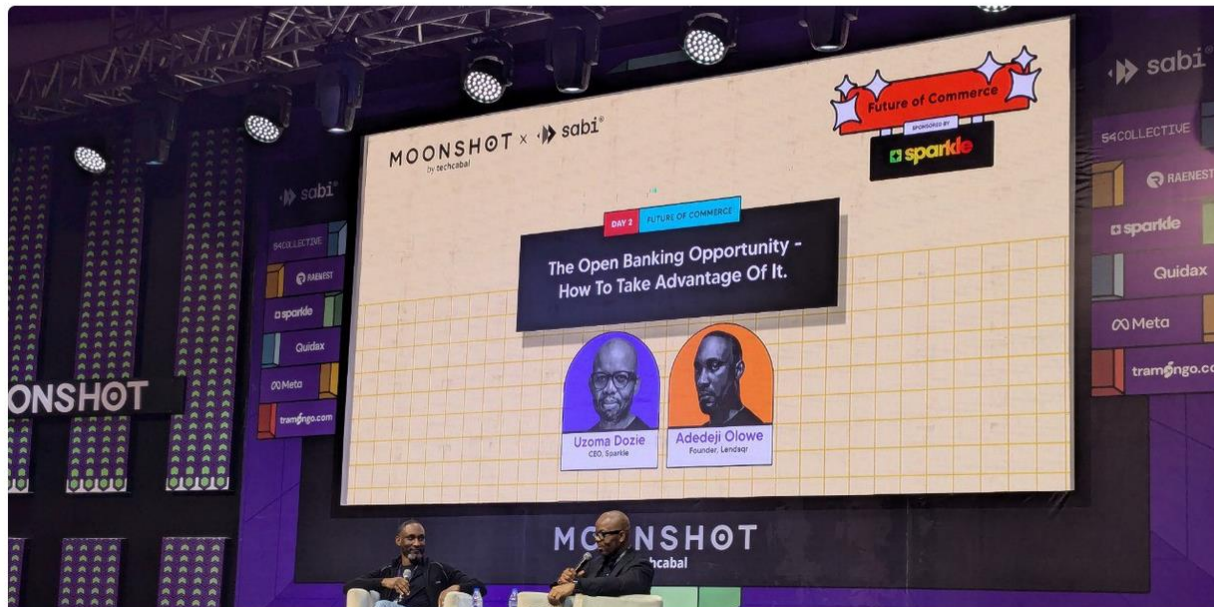


Image Source: Kenn Abuya. [“Open banking is ready for Nigeria, but CBN's approval stands in the way.”](#) TechCabal. October 10, 2024.

“All we need is CBN to blow the whistle to open banking”

-Adedeji Olowe, Chair, Open Banking Nigeria

Nigeria's [open banking guidelines](#) do not require participation of financial institutions, which may challenge the speed and coverage of adoption—and could mean many banking customers will not benefit from open banking. [Several markets with initial voluntary models have shifted away from such a strategy over time](#), as they have found adoption and compliance can be slower in voluntary models.

User experiences need to be adaptive to different consumer profiles



Banco do Brasil (BB) was the 1st bank in the world to use WhatsApp to complete the consent journey by its customers.

<https://www.qorusglobal.com/innovations/23848-open-finance-consent-on-whatsapp>

For a market like Kenya, solutions will need to be designed that work in multiple environments such as messaging apps and USSD/SIM toolkit.

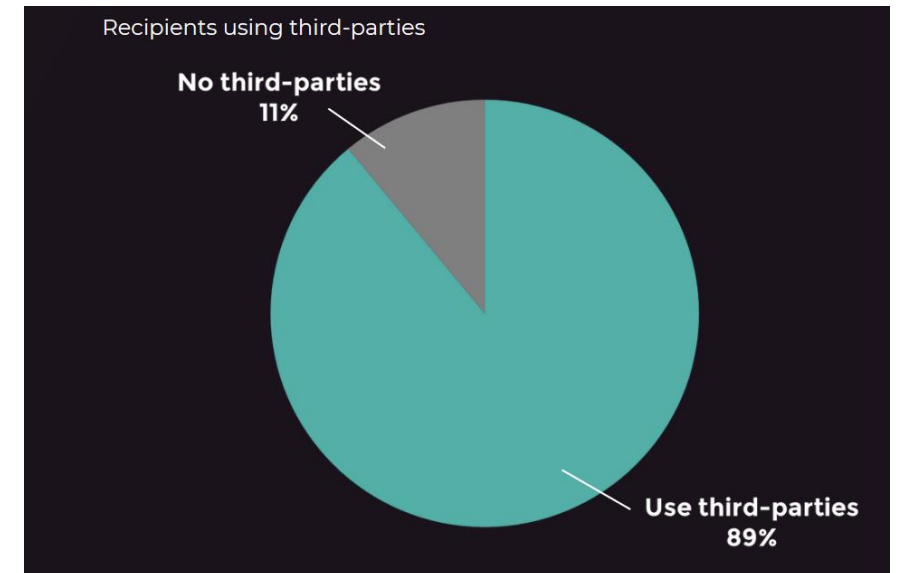
Countries like Australia, Brazil, and the United Kingdom have issued user experience guidelines and requirements which have standardized and improved practices across participants. Such guidance would be beneficial to develop in Kenya for open finance.

Open finance liability needs to be prepared for “the big one”

- 20% increase in data breaches globally from 2022 to 2023

Source: <https://hbr.org/2024/02/why-data-breaches-spiked-in-2023>

- Open finance introduces new data types, new relationships, and many new third parties
- Are we prepared to sort out a data breach and make everyone whole?



In Australia 89% of Data Recipients use third-party intermediaries to access data with the CDR Register.

Source: "[Australian Open Banking Ecosystem Map and Report](#)". May, 2024. FinTech Australia

Many open finance participants prefer to use third-parties for some of their open finance activities due to costs or complexity, similar to how aggregators support Kenya's digital finance ecosystem. Determining good practices for third party oversight and liability for their conduct is key to ensure a secure ecosystem with clear business risk and responsibilities.

Open finance needs to consider inclusion opportunities and exclusion risks

Open finance design considerations for expanding financial inclusion

Who is required to share data and who can access the data;	Whether payment initiation is enabled in the regime
What types of data are shared;	Who bears the cost of the regime (including for each data exchange and the set-up of the relevant infrastructure.)
Which industries are covered (e.g., banking only or utilities and telecoms);	

Source: Ariadne Plaitakis and Stefan Staschen. [“Open Banking: How to Design for Financial Inclusion”](#) 2020. CGAP: Washington, D.C.

Kenya may have the highest potential for open finance in Africa

1. **Access and Usage:** 79% of adults have access to formal financial accounts, 78% made/received digital payment

Source: [FinAccess Household Survey, 2021](#)

2. **Infrastructure:** Interoperable payments, e-KYC, broad financial sector regulatory coverage, data protection law, expanded competition mandate in digital economy
3. **Innovation:** Large fintech sector and culture of financial services innovation
4. **Economic Needs:** Gaps in financing for MSMEs in part due to information asymmetry
5. **High-Cost products:** Digital payments in Kenya have higher prices to consumers than other emerging markets (e.g. Brazil, India)
6. **High market concentration** in mobile money and digital credit, and moderate concentration in banking

See for example: Daniel Putman, Rafe Mazer, William Blackmon. "[Digital Credit Market Inquiry](#)." 2021. Competition Authority of Kenya.

What does Kenya need to make open finance happen?

1. Clear policy mandate

- a. Are there sufficient policy powers to develop an open finance regime or is new legislation needed?*
- b. How can the various authorities coordinate mandates effectively?*
- c. What rules need to be included in the initial regulations, and what rules and standards can be decided later through governance process?*

2. Right mix of initial providers and data sets

- a. Deposit, bank loans, and mobile money should be mandatory in first wave*
- b. How can fintechs participate early on if interested?*
- c. When could other sectors be considered, and how can that be built into initial open finance policy documents and data standards?*

What does Kenya need to make open finance happen?

3. Clear rules for participation and consequences for misconduct

- a. Data reciprocity*
- b. Performance standards*
- c. Firm and consumer dispute resolution mechanisms*
- d. Consumer protection and data protection standards and supervision*
- e. Liability standards*
- f. Suspension and removal processes*

4. Determine which leadership and oversight model makes the most sense

- a. New entity*
- b. New unit within authority*
- c. Cross-authority council*
- d. Industry associations*

What will be Kenya's **MMVP** in open finance?

Minimum
Mandatory
Viable
Policy



*Balancing **coverage, utility, and ability to go live quickly** should produce the “just right” model for phase 1 of Kenya’s open finance journey*