

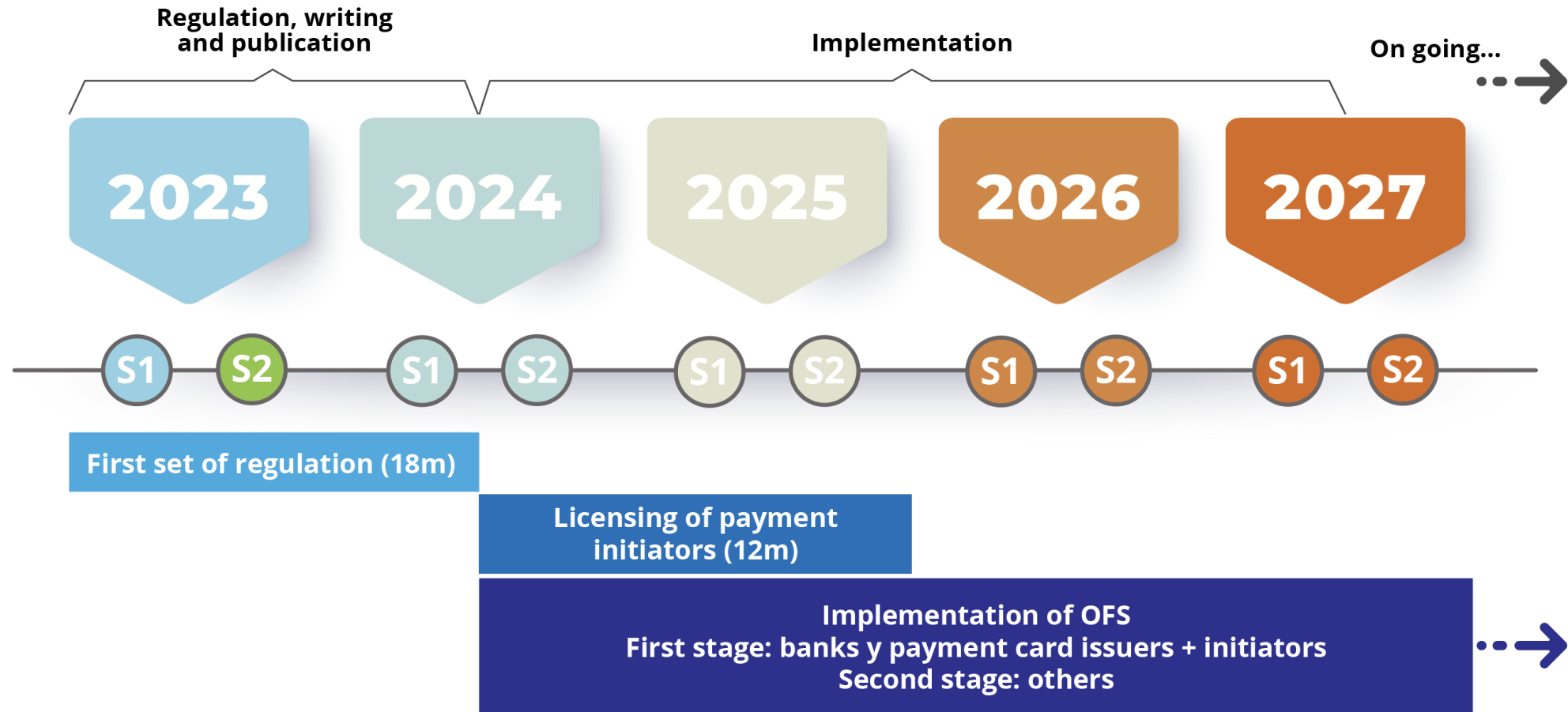


**OPENFINANCE: RESHAPING THE FINANCIAL
SECTOR THROUGH NEW RULES, COMPETITORS
AND SERVICES”
Chile Day London**

Solange Berstein Jáuregui
Chairwoman
Financial Market Commission

September 2023

Open Finance: a roadmap



- Open Finance System is a continues process in which new participants will enter. It will be necessary to updated standards, types of information shared, among others.
- This will require active monitoring by the CMF, which is different from the traditional regulatory and supervisory role: Financial Innovation Hub.

How has the CMF faced the implementation process, what instances have you created and which ones are coming? What issues do you think are the most relevant to solve for the success of Open Finance?

- Aims to **promote competition, innovation and inclusion** in the financial system.
- Allows the exchange between financial service providers of the personal information of clients who have explicitly consented to do so.
- The principle: each customer is the owner of their own financial information and can control it.

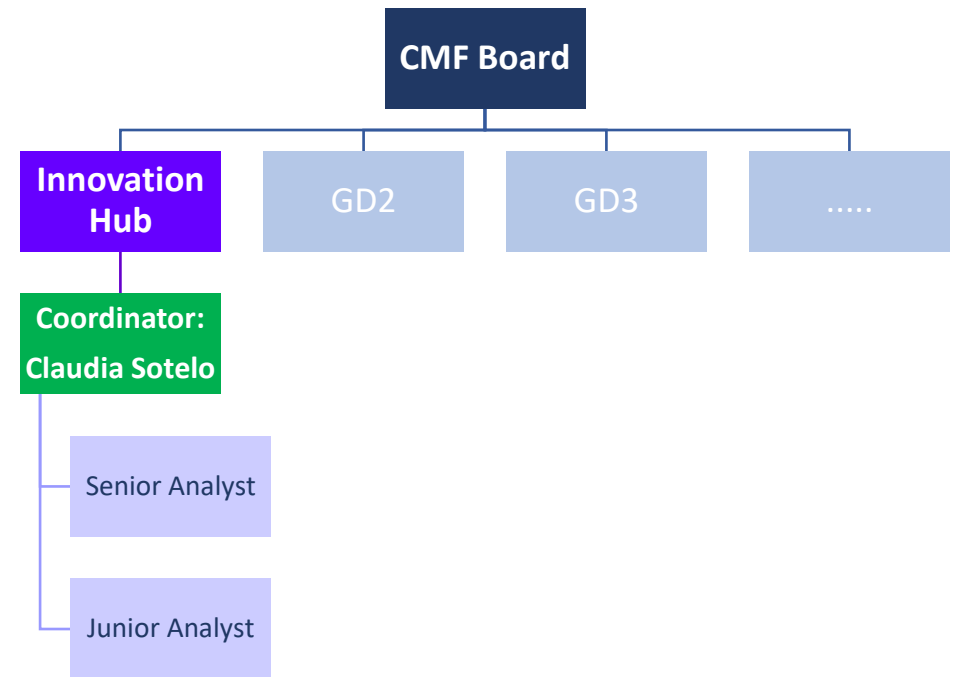
CMF has implemented structural internal changes, between others, a Financial Innovation Hub...

Objective:

To build a bridge between the CMF and the private sector which allows a different communication channel between the regulator and the supervised entities. That will contribute to the CMF mandate of market development, facilitating innovation in the financial sector.

Tasks, among others:

- Guidance to the companies that would like to run Fintech activities in Chile.
- Support the General Directorate of Regulation and Supervision in their activities of licensing and supervision of Fintech actors.
- Support the Board and General Directors on Fintech companies, as well as relevant developments in technology and Finance.
- Development and Monitoring of the Open Finance System.



- Member of the Executive Committee of FintechLAC, initiative funded by the IADB and conformed by regulators and supervisors and Fintech Associations of 15 countries of Latin America and the Caribbean.

Other steps taken by CMF during 2023..

- Held meetings with supervisors from other jurisdictions that have already implemented SFAs or are in process (lessons learned):
 - Brazil (BCB)
 - Mexico (CNBV)
 - Colombia (SFC)
 - United Kingdom (CMA and FCA)
- A Technical Assistance from the World Bank is underway, reviewing models of different countries, alternatives and discussing the feasibility of each of these in the Chilean legal framework.
- Dialogues with potential participants of the first stage, to understand better the private sector views and prepare consultation workshops.
- Next milestone: launch of Open Finance Consultation Workshops.

Open Finance: What we are currently discussing and challenges...

Consultative workshops will be announced the following days, where different issues will be discussed, among others:

**Institutional
Framework &
Governance**

**Authenticati
on and
Consent**

**Data
Protection**

APIs

- Public-private coordination, creation of implementation groups with which we will be working with.
 - Multiple counterparties in short implementation time.
- Liability and mechanisms to resolve controversies.
- Gradualness in implementation.
- Technological challenges in the incorporation of APIs.
- Security Standards decisions and implementation.
- ¿Should web scraping be allowed?

Focus on user experience, balancing consumer protection and security.

Do you think there is a specific product or business model that will prevail over others in Chile? Do you see a portion of the Fintech industry more prepared than other?

- Finnovista/IADB survey of the Fintech Ecosystem, held in 2021, showed a growth of 60% in just 19 months.
- The segment with the largest number of startups was Payments and Remittances (23%), followed by Enterprise Financial Management (20%) and Lending (13%).
- The survey was run again this year (forthcoming). We look forward to these results.
- It is worth noting that the Industry has also made some previous work to implement Open Finance, e.g., the Standards promoted by the Fintech Associations of the Pacific Alliance as well as the Master Agreement between the Banking and Fintech Associations

How does the CMF see the outcomes on conversations between Fintechs and Financial Institutions in terms of common financing and governance?

- From the international experience reviewed, we see as a common point the existence of public-private collaboration that contribute:
 - Technical standards, based on a technologically neutral and evolutionary approach.
 - Effective dispute resolution mechanisms among participants, and among them and the customers
 - New use cases, in order to progressively include new information into the system.
- Benefits of public-private arrangements:
 - Give dynamism to the system (the traditional regulatory approach could delay solutions to problems).
 - Resolve disputes arising from both the implementation phases and the operation in the regime.
 - Provide mechanisms for continuous improvement of the system.

We can expect convergence on technical issues and less agreement on others...

- In general, there is convergence of some components of Open Finance systems implemented in the world. It seems advisable to homologate API to safeguard interoperability and efficiency. These standards could include aspects such as:
 - Keep an updated dictionary (e.g., ISO 20022); API specifications (e.g., OpenAPI, Blueprint)
 - Establish references of API architecture , such as the type of format of interoperable files that will be exchanged (e.g., JSON, XML) and the reference framework of design and application (eg. REST, RESTful API, GraphQL), the (eg. OpenID/Oauth2, PKI).
- Other issues might be more difficult to agree on:
 - Discussion regarding the degree of centralization of registries, who bears the costs is one of the issues.
 - Which information should be shared, mechanisms of security and authentication or standards for operational and cybersecurity resilience.
- It should always be in the center the relevance of user experience.....

Final Remarks

- An Open Finance Framework facilitates and boosts **competition and innovation** in the financial sector:
- Confirming and reinforcing the **habeas data** right of people and, at the same time, mitigating **cybersecurity and operational risks**.
- It is relevant to keep a **permanent public-private dialogue** to implement and maintain an Open Finance System which works adequately and comply with the desired objectives.
- The success of this system depends on **all actors**.
- Beyond the supervisory and Regulatory framework, it is crucial to keep the focus on **financial education** and address **digital breaches** that exist in some segments of the population:
- Maximise benefits for **all segments** of the population and keep the **system resilient**.



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