



FIDA Open Finance

Deloitte and ABBL survey:
Current state of the Luxembourg market

January 2024

Agenda

01

Introduction



02

Survey results



03

Conclusion



04

Contacts



01 | Introduction



Context and objectives

In September 2023, ABBL and Deloitte conducted a survey to understand the views and state of the market with regards to Open Finance and FIDA targeting ABBL members in the scope of FIDA requirements



CONTEXT

- In June 2023, the European Commission published a legislative proposal for **Financial Data Access (FIDA)**
- Under this proposal, financial institutions will have to provide **access to customer data** upon customer permission
- ABBL and Deloitte launched an online **survey** in **September 2023** to collect Luxembourg market view about this proposal



OBJECTIVES OF THE SURVEY

- Determine the **level of awareness** on FIDA and Open Finance
- Gather **common thoughts** on Open Finance
- Assess **readiness** of financial institutions
- Understand **opportunities** and **challenges** for the involved parties

Introduction to Open Finance

FIDA will profoundly impact the financial industry with a shift towards Open Finance

Traditional banking

Banks provide financial services & products **directly to customers**



Limited data sharing typically restricted to clients

Open Banking

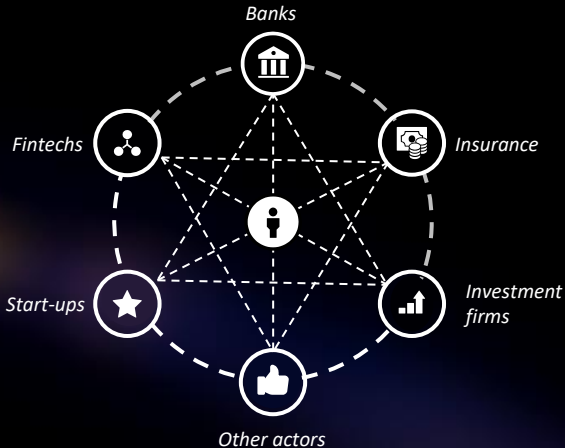
Provide payment data to **third-parties** enabling account aggregation and payment initiation



PSD2 opened-up banking/payment data to third-party service providers

Open Finance

Open finance **expands the scope** of financial data and industries impacted



FIDA enables **third-party** data users to access a wider range of **customer data**

Data scope and openness ↑

Source: Deloitte

02 | Luxembourg market

Survey results and current state
of the market

Source: ABL/Deloitte – Open Finance Survey (September 2023)

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Luxembourg market

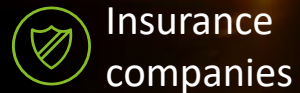
FIDA is highly relevant for Luxembourg as it is one of the leading financial centers offering a broad ecosystem and diverse range of financial services

>30% Contribution of the financial sector to Luxembourg GDP

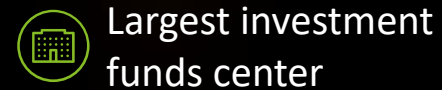
+120



77



2nd

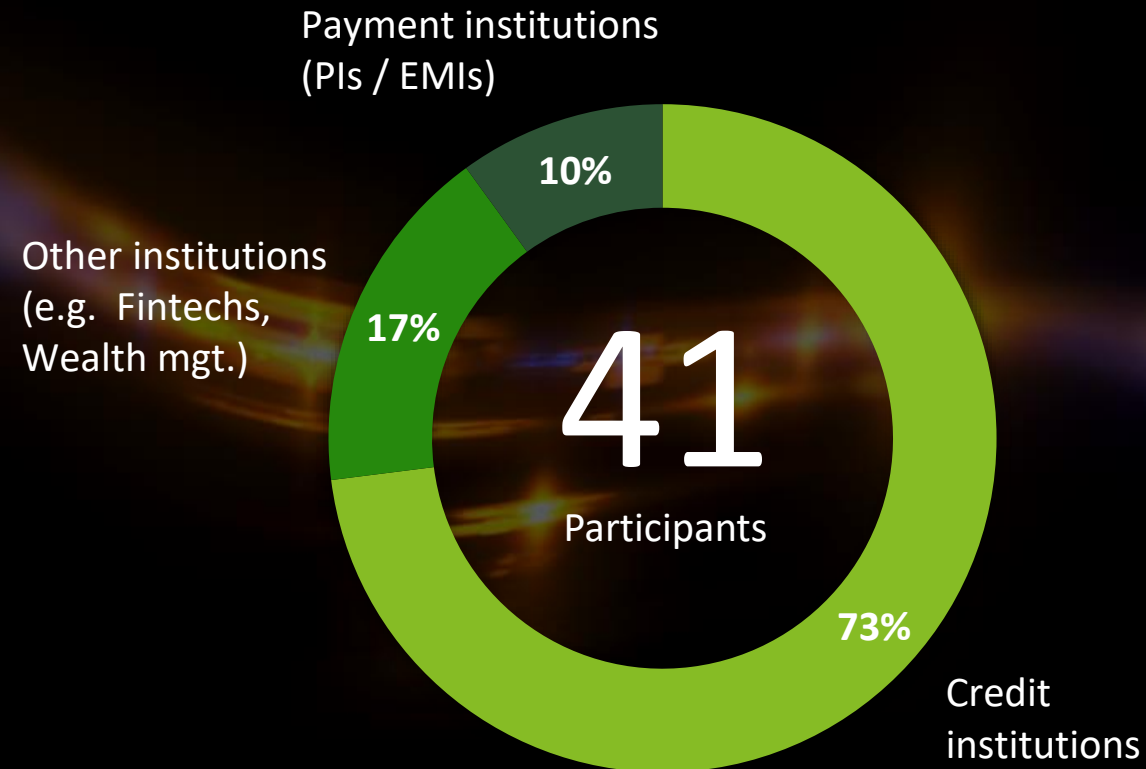


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ABBL/Deloitte survey

After the publication of FIDA regulatory proposal, ABBL and Deloitte launched a survey in September 2023 to gather points of view from ABBL members, assess awareness, challenges and opportunities of open finance

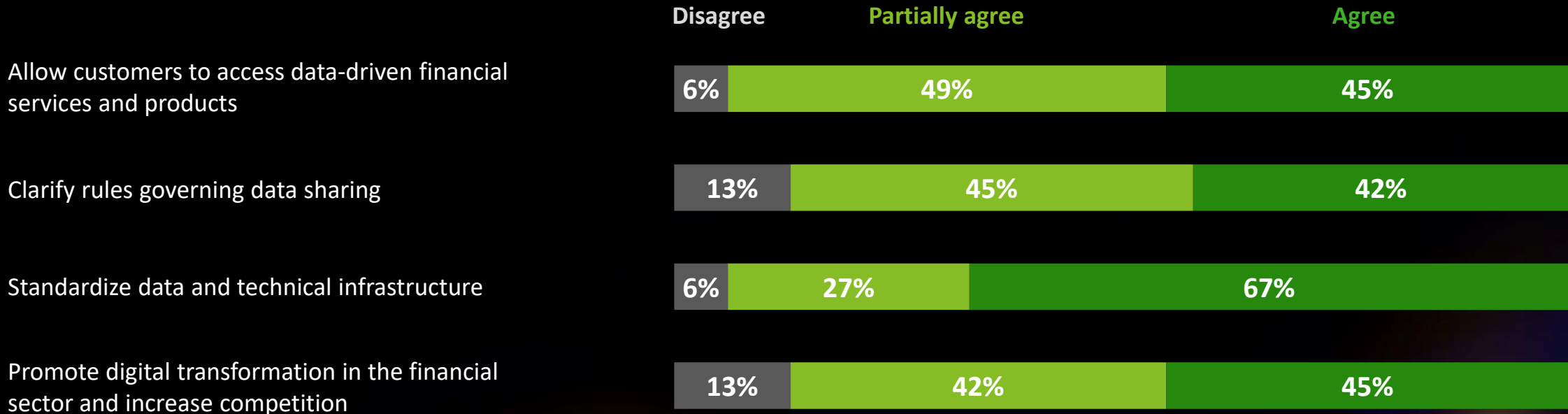


Source: ABBL/Deloitte – Open Finance Survey (September 2023)

Objectives

Financial actors generally agree with the overall objectives of FIDA to enhance digitalization, competition and standardization

Do you personally agree that Open Finance regulatory framework will:



Source: ABBL/Deloitte – Open Finance Survey (September 2023)

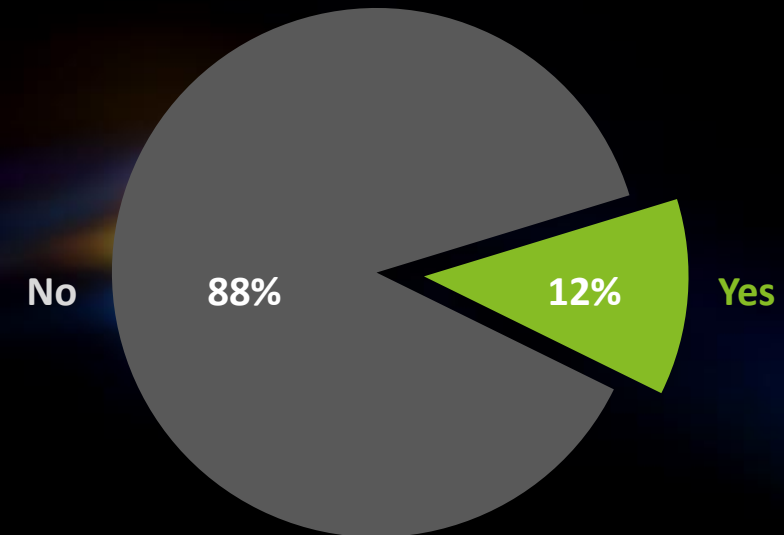
Analysis of FIDA proposal

Although senior management is familiar with the concept of open finance; a limited number of institutions investigated on FIDA, with only a handful of actors having conducted an analysis of the regulatory proposal at the time of the survey

Is senior management within your institution familiar with the concept of open finance?¹



Has your institution analyzed FIDA regulation proposal?¹



1. Answers received on September 2023

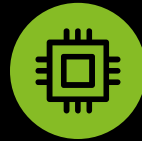
Source: ABL/Deloitte – Open Finance Survey (September 2023)

Main changes

FIDA will bring significant changes with a broad scope of customer data to be shared, the implementation of technical interface and permission dashboard



**CUSTOMER DATA
SHARING**



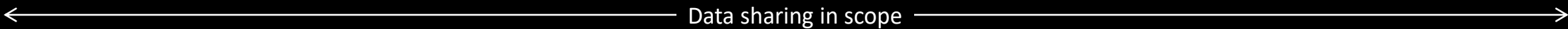
**TECHNICAL INTERFACE
(API PLATFORM)**



**PERMISSION
DASHBOARD**

Main changes – Customer data sharing

FIDA requires data holders to share a broad set of information to data users upon customer permission



BANKING



- ✓ Savings accounts
- ✓ Loans and mortgages
- ✓ Creditworthiness assessment of firms

INVESTMENT



- ✓ Investment in financial instruments, real estate, etc.
- ✓ Suitability and appropriateness

INSURANCE

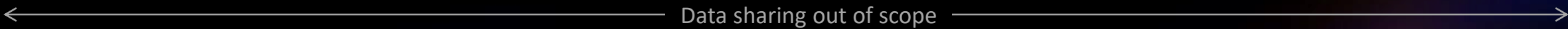


- ✓ Non-life insurance products
- ✓ Insurance product information

OTHERS



- ✓ Pension rights
- ✓ Other retirement savings



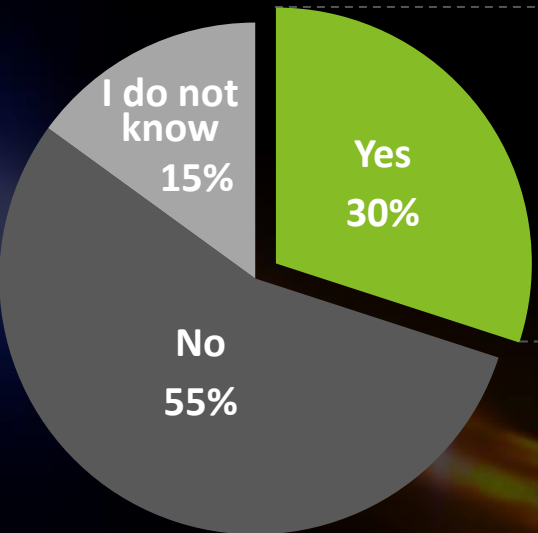
- x Payment accounts¹
- x Creditworthiness assessment of a consumer
- x Life-insurance, sickness and health information

1. Already in scope of PSD2 / PSD3
Source: ABBL/Deloitte – Open Finance Survey (September 2023)

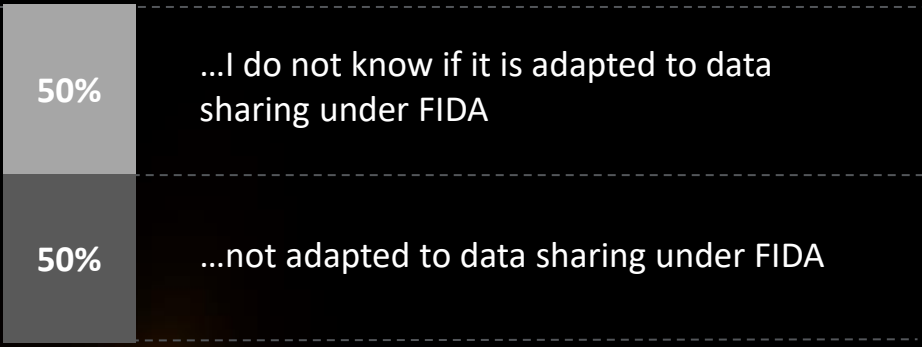
Main changes – Technical interface (API platform) 1/2

Although some institutions already have an API platform in place, it is not adapted to FIDA requirements and does not currently cover the entire data scope of FIDA

Do you have an API platform in place to share customer data?¹



If yes, is this API platform adapted for data sharing envisaged under FIDA?¹

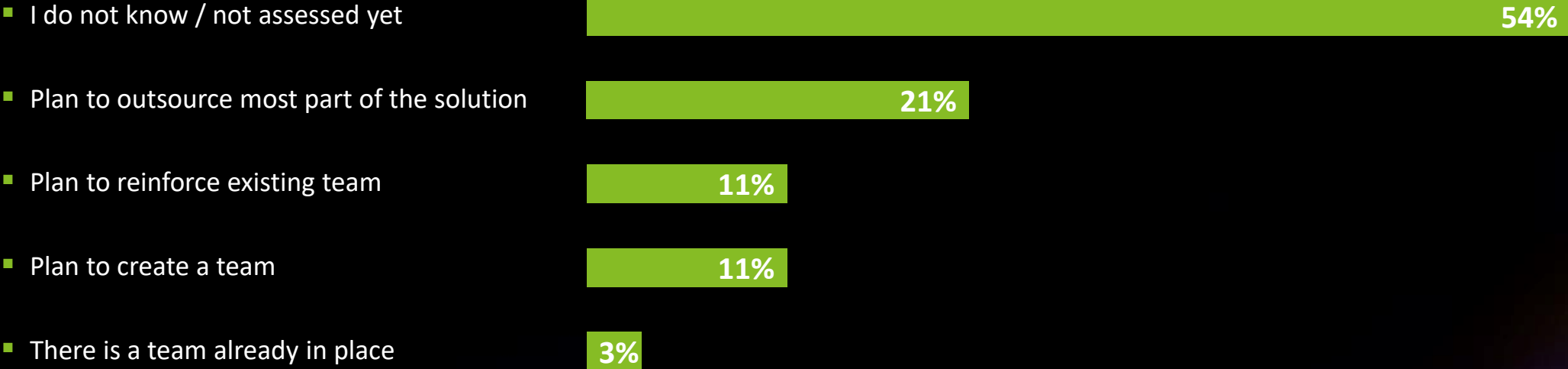


1. Answers received from credit institutions
Source: ABBL/Deloitte – Open Finance Survey (September 2023)

Main changes – Technical interface (API platform) 2/2

The overall level of readiness is currently low and most financial actors do not know or assessed at this stage the positioning envisaged and some actors plan to increase team to cope with FIDA changes

What is the positioning of your organization towards the adoption of “open/partner” APIs?



Source: ABBL/Deloitte – Open Finance Survey (September 2023)

Main changes – Permission dashboard

Data holders shall provide permission dashboards to customers with a real time view on permissions and possibility to update them at any time



PERMISSION OVERVIEW

Permissions to share data to different data users



REAL TIME

Update information in real-time in case permission changes



CHANGE PERMISSIONS

Ability to withdraw and re-establish permissions



AUDIT TRAIL

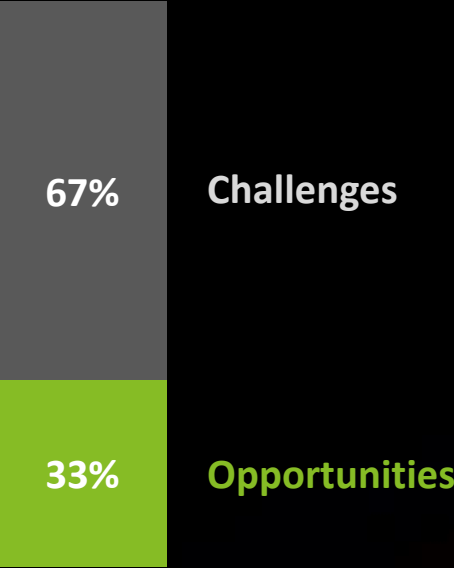
Record of permissions withdrawn or expired in the past 2 years






Source: ABBL/Deloitte – Open Finance Survey (September 2023)

Challenges (1/2)

67% of participants think FIDA will represent more challenges including aspects related to data management, risks, implementation and readiness and competition

Do you think FIDA could represent more opportunities or challenges?



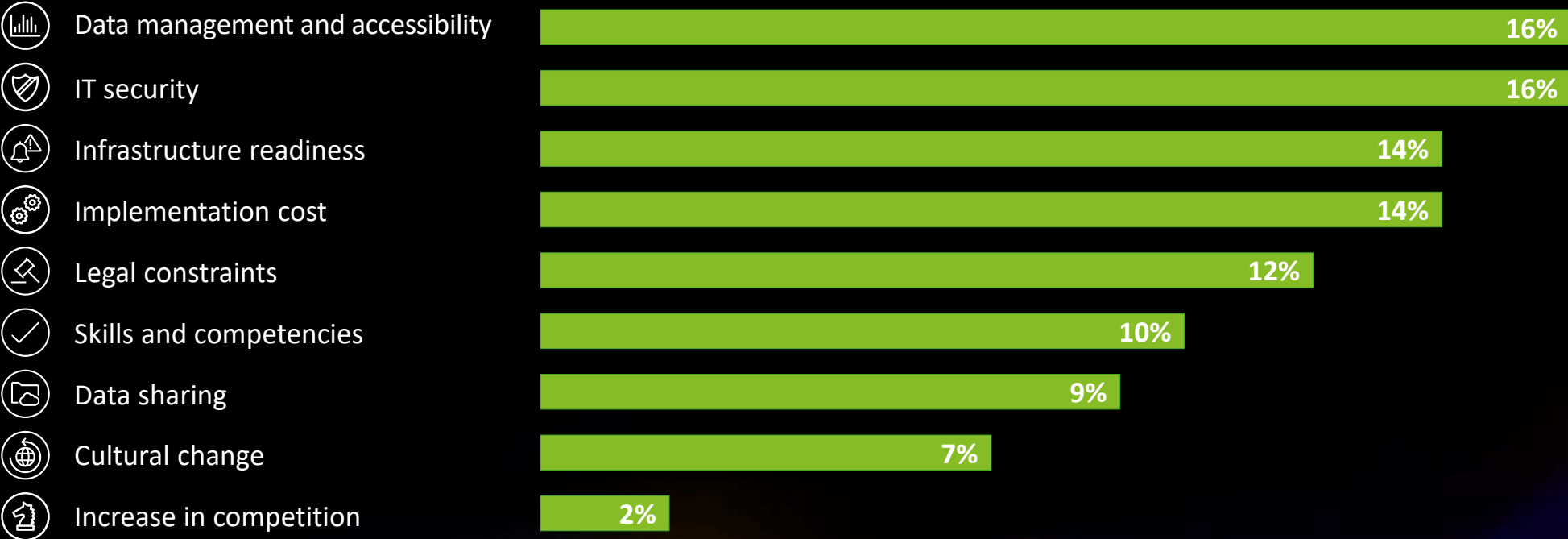
-  DATA
-  RISKS
-  IMPLEMENTATION
-  READINESS
-  COMPETITION

Source: ABBL/Deloitte – Open Finance Survey (September 2023)

Challenges (2/2)

The great majority of actors foresee challenges to implement FIDA regulation, notably considering IT implementation and data management aspects

What are the biggest challenges you foresee with the implementation of FIDA regulation?



1. Question referred to that analyzed FIDA regulatory proposal
Source: ABBL/Deloitte – Open Finance Survey (September 2023)

Opportunities

There are significant opportunities brought by FIDA to increase revenue with new data-driven products and services and tailored offering



NEW SERVICES

Provide new products and services based on the data sharing



CROSS-SELL

Integrate third-party services and cross-sell additional products



CLIENT INSIGHTS

Consolidate customer financial data and provide holistic view



TAILORED OFFERING

Deliver tailored advice based on customer data and profiling



COMPENSATION

Charge data users for providing access to data and API platform

Compensation

FIDA allows data holders to ask for reasonable compensation from data users for providing access to data and API platform



Data holders can request **reasonable compensation** from data users



Reasonable and justifiable



Transparent and non-discriminatory



Fair, proportionate, and periodically reviewed



Aims to cover setup, infrastructure and data sharing costs

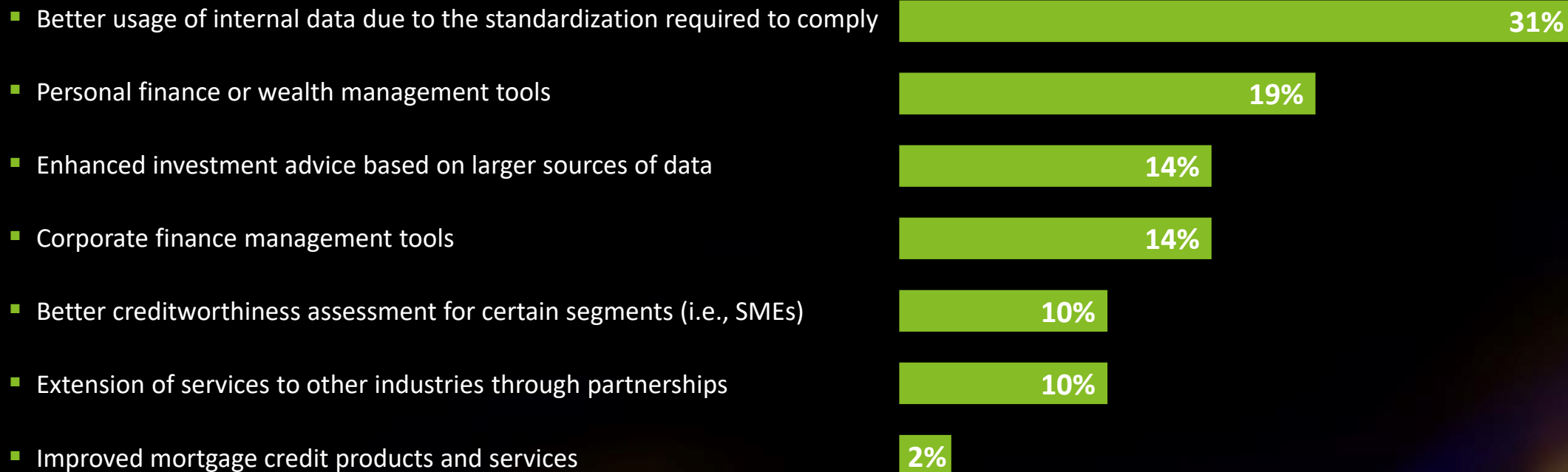


Pricing model and maximum amounts to be defined

Use cases

Some credit institutions foresee opportunities with FIDA to develop use cases about personal finance or wealth management, investment advice and credit analysis

As a credit institution, what use cases would be the most interesting for your institution?¹



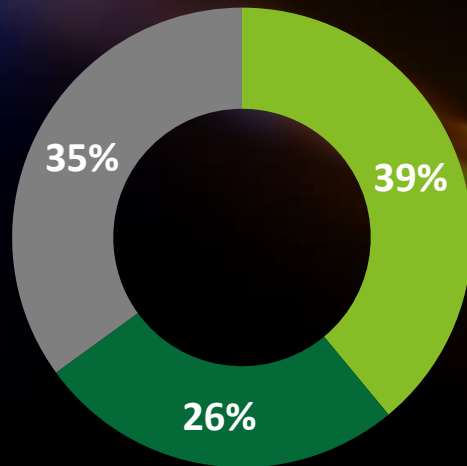
¹ Answers received from credit institutions

Source: ABBL/Deloitte – Open Finance Survey (September 2023)

Positioning

39% of credit institutions aim to leverage on FIDA by also acting as data users to access information from other companies and industries

How does your institution plan to position itself regarding FIDA?¹



- As data holder
- As data holder and data user
- I do not know

If your institution is thinking to act as data user, with what players it might collaborate?¹

- 1 Banks
- 2 Insurance companies
- 3 Asset managers
- 4 Asset servicers

¹ Answers received from credit institutions

Source: ABBL/Deloitte – Open Finance Survey (September 2023)

Impacts on financial industry

FIDA is expected to impact the financial industry in Luxembourg by increasing digitization, competition and innovation

Digitalization



**IMPROVE DATA
ACCESS AND SHARING**

Competition



**FOSTER COMPETITIVE
ENVIRONMENT**

Innovation



**OFFER NEW PRODUCTS
AND SERVICES**

03 | Conclusion

Closing remarks and key takeaways



Key takeaways and conclusion

ABBL and Deloitte survey highlights major challenges foreseen by financial actors as well as numerous opportunities around innovation and new products/services



Limited readiness

- The overall level of readiness is limited given the recent publication
- Most participants did not yet analyze in detail FIDA regulation and its impacts
- The strategy towards FIDA is still undefined by most participants



Major transformation

- FIDA represents a major shift towards data sharing and Open Finance
- Standardization in data and API across the market is foreseen to be complex
- New data-driven business models are expected to emerge



Significant challenges

- Key challenges include data management, implementation and cybersecurity risk
- Market players will need to define common standards for data sharing
- A challenging timeline is proposed with 18 months to adhere to financial data sharing scheme



Countless opportunities

- New opportunities will arise from the data shared
- Increase revenue with new offerings and data compensation
- Improved customer targeting and experience

04 | Contacts



Contacts



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