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## Stripe's Response to the European Commission's Consultation on Open Finance

### From Open Banking to Open Finance - The future of European financial services

Open Banking has enabled a flourishing European ecosystem of payment service providers delivering user-friendly, accessible, innovative and secure payments for European businesses and citizens, enabled by a payments policy framework that supports the needs of merchants and citizens in the online economy. PSD2 has fundamentally transformed European payments for the better and policy makers should now seize the opportunity through the Review of PSD2 to double down on the original goals they have set out to achieve: to increase efficiency, transparency and choice of payment instruments; realise a truly Single Market for payments; and help innovative payment services reach a broader market.

We're optimistic about the potential unlocked for Open Banking under PSD2, but today its implementation is still incomplete. Open Banking requires continued pressure and direction from the Commission in order to fulfill its potential - and much more detailed specifications on the way Open Banking requirements are implemented by banks. The experience of Open Banking implementation in the UK has demonstrated the benefits of a single implementation entity, the Open Banking Implementation Entity (OBIE) for developing common standards for the market and enhancing Open Banking functionality in important areas for businesses and consumers, such as Variable Recurring Payments. Bringing the oversight of Open Banking across the EU under a single implementation entity which sets clear policy objectives, specifies desired outcomes, e.g. the availability of standardised APIs, and sees policy objectives through to implementation, could further unlock the potential of Open Banking in the EU.

### Maximising the benefits of Open Finance while mitigating potential risks

Extending the principles of Open Banking to Open Finance holds the potential to promote faster, more convenient, more innovative as well as safer and more inclusive financial services for European merchants and consumers - just as we're beginning to see for European payments. In developing an Open Finance Framework we believe the Commission can draw lessons from the experience of implementing Open Banking. In order to invest in Open Finance technology, and to buy into its vision, financial institutions need clarity on the expectations of them and incentives for them to invest both in the short and longer term. Therefore, the success of Open Finance - similarly to that of the current Open

Banking regime - relies on a business model for data-related services that works for them - whilst at the same time allowing third-party providers to offer compelling, low-cost products and services to merchants and consumers.

A diverse and innovative Open Finance ecosystem will also depend on open and interoperable access to digital, financial and platform infrastructure and sufficient safeguards to avoid market dominance by a small number of players, reducing concentration and systemic risk. Not least, the adoption of Open Finance will critically depend on increasing trust among businesses and consumers in sharing their data with financial institutions and third parties, through adequate consumer protection, operational and security risk mitigation and consent management.

### **Harnessing the potential of Open Finance for European businesses and consumers**

One area where we could see open access to financial data through an Open Finance framework have significant benefits is the promotion of access to finance for small businesses and entrepreneurs. Today, of the several hundred thousand innovative and online businesses Stripe serves across Europe, many look nothing like traditional, offline businesses that preceded them. New areas of the economy, such as the creator economy, are forming and growing rapidly. There are also thousands of entrepreneurs moving online who have only ever self-financed or had few touch-points with traditional financial services, including farmers, barbershop owners, restaurateurs or others. They have few hard assets, operate on tight working capital cycles and build value in brand, customer lists or subscribers, and internet footprint.

These new businesses struggle to access financial services like business bank accounts and cards to manage their earnings or access to capital to grow their business. Open finance could help them leverage data about their income and revenue in addition to non-financial data to gain better access to credit, allowing them to better serve their customers. Data-enabled lending models also benefit from real-time visibility into the health of the business, which in contrast to traditional lending, means finance can be forward-looking to support future growth of European businesses.

Combining open access to data with the use of innovative technologies also helps businesses in the digital economy face new challenges, such as onboarding customers and combating fraud. Onboarding customers is still a major friction for European businesses and the ability to do so quickly and seamlessly has been a lifeline, especially for the hundreds of thousands of businesses who came online with Stripe during the pandemic. Dealing with ever shifting patterns of online fraud is a further key challenge: according to a study we conducted in 2022, 64% of global business leaders have found it harder to fight fraud since the onset of the pandemic, likely due in part to an increase in the types of fraud and overall fraud volume. Leveraging large data pools through machine learning has a role to play in making sure losses due to online fraud are minimised for European businesses.