

Open Finance: Switzerland Case Study

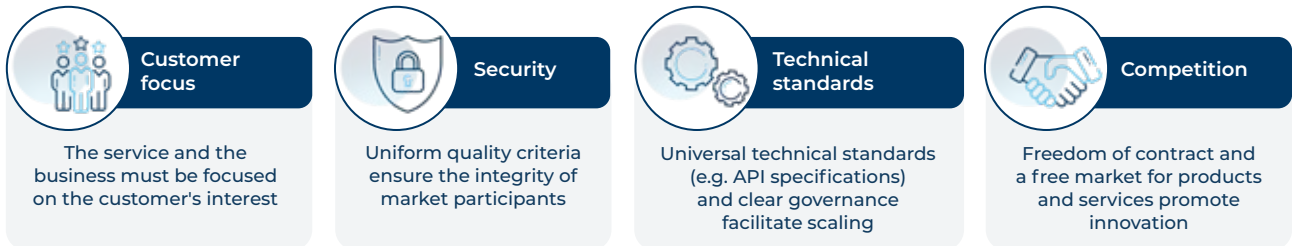
Population: 8.7 million
 Number of banks: 239
 GDP Per Capita: 92,101 (USD)



Background

Switzerland has a non-regulated open finance ecosystem. However, the Swiss Bankers Association (SBA) and its member financial institutions see a great opportunity in the possibilities offered by the opening of interfaces and cooperation between financial institutions and providers.

Financial institutions believe that a market-based open finance approach is the right way for the Swiss community to further develop existing offerings and continue to provide simple, secure, innovative and internationally competitive financial services. The financial institutions pre-empted regulation by coordinating efforts that utilise the following foundational principles:



The Swiss Federal Council is closely watching developments and is confident that a market-based approach can work. However, to ensure sufficient progress is made, they have instructed the Federal Department of Finance (FDF) to submit measures to them by June 2024 if the financial sector does not sufficiently commit to opening up their interfaces.

Industry Coordination



Through a market-led approach, SBA and Swiss Fintech Innovations (SFTI) worked with all the relevant financial centre stakeholders to agree on the roles each will play in future cooperation on open finance, particularly in terms of API standardisation.

SFTI is acting as a central forum, drawing up the necessary business and technical principles and recommendations for open finance in Switzerland in conjunction with leading national and international stakeholder groups and partner

*Not an exhaustive list. Other stakeholder groups are possible
 ** Open Banking Europe is now Open Banking Exchange

Source: Swiss Bankers Association

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organisations. Its working group is broad-based, bringing together representatives of banks and insurers as well as fintech and technology firms. The SBA is assuming a coordinating role in conveying the industry's concerns to politicians, authorities and the general public.

It is believed that some open finance offerings, such as multibanking, can only create the desired customer value if a sufficient number of financial market actors invest in their development at the same time and based on the same technical standards. As such, many Swiss

banks have signed a Memorandum of Understanding (MoU) that addresses this need for coordination in the context of multibanking. It includes:

- the intention to enable and implement initial multibanking offerings for natural persons
- the minimum content requirements for such initial multibanking offerings
- the key points in terms of time schedule and the procedure for implementation

API Standardisation

There are currently three major standardisation initiatives in the Swiss market:

- **OpenWealth API:** relates to efforts led by the OpenWealth Association (who brings together financial institutions, wealth techs and other technical providers) to create, operationalise and manage API standards that cover wealth-management-related services.
- **Common API:** as one of the main working groups of SFTI, Common API aims to provide API standards for use cases covering the banking and insurance industries. Common API is currently covering APIs related to account information, payment initiation, loans and wealth management (the latter one in collaboration with the OpenWealth Association). It also positions itself for international compatibility – as these standards are being developed in collaboration with the Berlin Group (the standardisation body for PSD2 in the EU).
- **Swiss NextGen API:** openbankingproject.ch has developed APIs which are based on the PSD2 standards with minimal deviations, aiming to achieve international interoperability for API users. As they result from a direct adaptation of PSD2 standards, the covered use cases include account information and payment initiation.

These three initiatives differ in scope of use cases covered but also in terms of participants. As the Common API initiative by SFTI aims to cover a wide spectrum of services, it includes more participants than the other two. There is an expectation that cooperative and competitive forces among the initiatives and participants may lead to a consolidation down the road.

A common infrastructure

To support the market adoption of open finance, the established financial infrastructure provider SIX developed an open finance hub in collaboration with leading Swiss financial institutions.

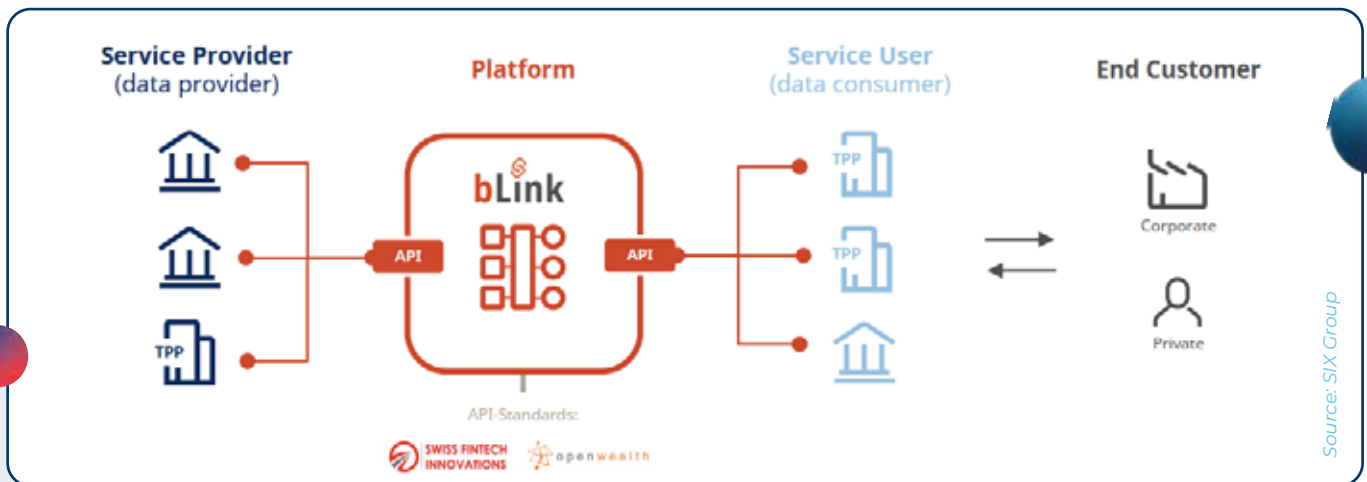
SIX launched bLink in 2020. bLink is a platform that connects data providers and data users (i.e. financial institutions and Third Parties) via Common API compatible APIs to develop services around existing use cases focused on corporate and private customer uses cases in the areas of accounts & payments and wealth management. As the operator of the platform, bLink also manages administrative aspects of the relationships between participants, while ensuring they comply with the desired security standards.

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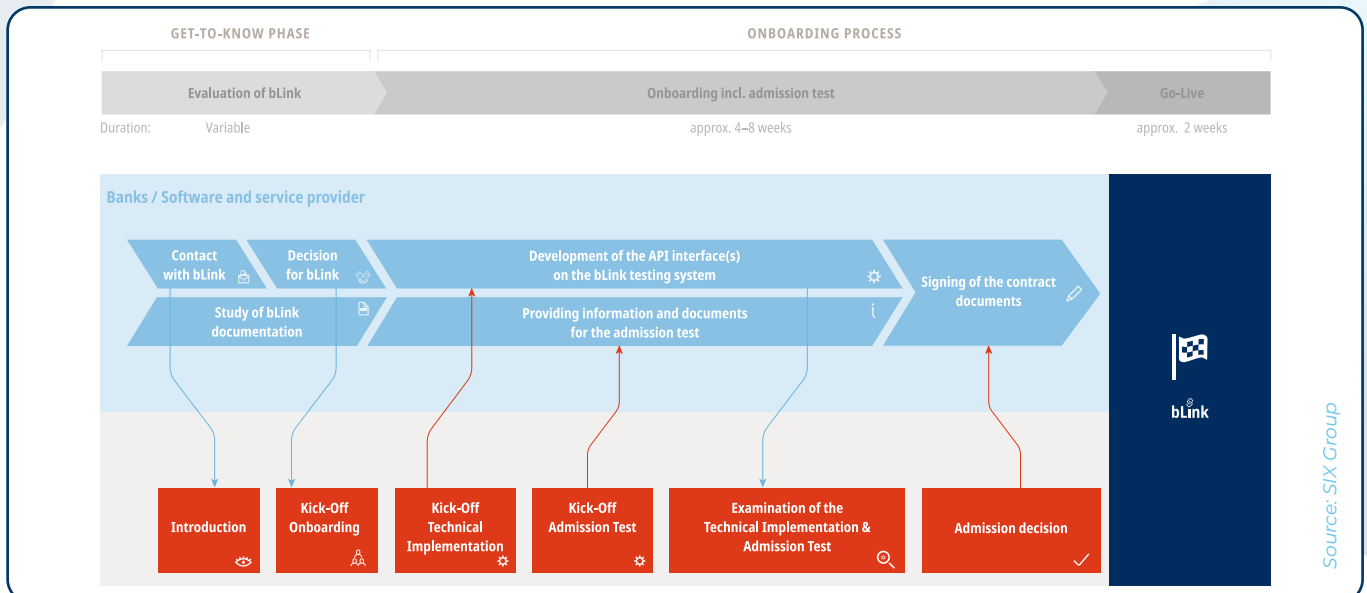
With its overall standardised package, bLink is based on:

- One uniform platform contract for more efficiency rather than individual contracts
- A standardised admission test for all participants to ensure adequate security
- Efficient digital consent management ensuring transparency for end-customers
- Modern, standardised interfaces to ensure reliability

The bLink platform offers testing and simulation, as well as full partner management from onboarding to maintenance. bLink also offers standardised and transparent pricing structures for all participants.



As open finance is not regulated, there's no national central authority (NCA) which provides third party (TPP) checks and access certificates. However, every new participant must pass the admission process on bLink.



Switzerland is in a solid position to foster the development of open finance through its industry-led approach. Market initiatives are taking the lead in standardisation efforts and, to date, regulators have had limited involvement. These private initiatives will be crucial for service development and adoption, not just by those already involved but especially also those that are still following.