WHITE PAPER

Open Banking in Switzerland Part I

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Foreword

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Open Banking certainly is one of the most discussed topics today that is transforming the financial industry as we know it, fundamentally impacting the way we manage our finances and make payments. With the onset of COVID-19 as a catalyst of digitalization across many dimensions of our lives, the redefinition of long-established value chains and user interfaces is also accelerating, as Open Banking is already driving many innovative solutions in large world economies. This trend is all but running out of steam. In Switzerland, the establishment of an Open Banking ecosystem is well underway through its industry-driven approach, although arguably at earlier stages than in the surrounding regulatory-driven European Union. Still, few doubt that Open Banking-enabled services will inevitably take hold in most, if not all, aspects of our financial lives. The foundation is laid for our Swiss financial institutions to drive this development further.

We at Mastercard aim to be an active contributor to the Open Banking ecosystem with services to address the needs of market actors globally across the value chain. With the goal of leveraging our international know-how, we are also committed to the development of Open Banking in Switzerland. In the present two-part study, we therefore provide first answers around the attitudes of Swiss consumers towards Open Banking-enabled services as well as what corresponding opportunities for market participants likely will be. Many of our clients and partners participated in interviews conducted for our study, and we would like to thank all contributors for their time and insights.

Feel free to contact us if you are interested to learn more about the study or our services.

Best regards,

Dr. Daniela Massaro
Country Manager
Mastercard Schweiz

Open Banking in Switzerland Part I

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Introduction

We are living in an increasingly digital world. Various aspects of our lives are brought into the virtual sphere, creating an ever-expanding amount of data that can be leveraged by market actors to boost innovation. This trend is deeply impacting a multitude of industries, shaping the relationships between consumers, companies, and governments. When it comes to the financial services sector, Open Banking is one of the most discussed topics, since it has the potential to fundamentally transform the way consumers manage their finances by sharing their personal financial data with other financial service providers and to allow consumers more choice of how they bank and pay.

This is the first of a two-part study in which we aim to analyze the current market landscape of Open Banking in Switzerland. In this first part, our goal is to provide the overall context to the topic, and it will be more relevant to the audience less familiar either with Open Banking or the Swiss market. In the second part, we offer a deeper analysis into business considerations for market actors as well as opportunities that may arise from relevant Open-Banking-enabled services in the Swiss market.

This study was built upon three main pillars. Firstly, we partnered with LINK Institute in running an in-depth market study[1] to assess consumers' attitudes towards Open Banking across a diverse set of topics – such as digital and banking affinity, interest in Open-Banking-enabled services, willingness to pay for such services and security concerns. Secondly, we conducted a series of interviews with different key actors in the Swiss financial market landscape – to capture the thoughts and attitudes towards Open Banking of key stakeholders in the value chain, from incumbent financial institutions to solution providers and other market participants. Finally, Mastercard's international market knowledge was leveraged across countries where Open Banking is more developed, to be able to place Switzerland in the right context of the overall global Open Banking development. Joining these pillars together, we seek to provide a clear understanding of the Swiss Open Banking market, with one caveat – due to the nature of the analysis on the consumer dimension, we focus on private consumers, leaving the corporate segment out of scope for the time being.

To illustrate the Swiss Open Banking landscape, we structured this part as follows: in the first chapter, we introduce the concept of Open Banking and the different roles in the ecosystem. In the second, we focus our analysis on Switzerland's Open-Banking-related developments, concentrating on the role that Switzerland's industry-led approach has in shaping the market and influencing the way actors interact with each other. The third chapter offers insights on the readiness of the Swiss market for Open Banking by outlining key macro indicators, consumers' sentiment, and market participants' view on the topic and its future potential. Finally, we conclude this first part of the study with a summary of insights and takeaways.

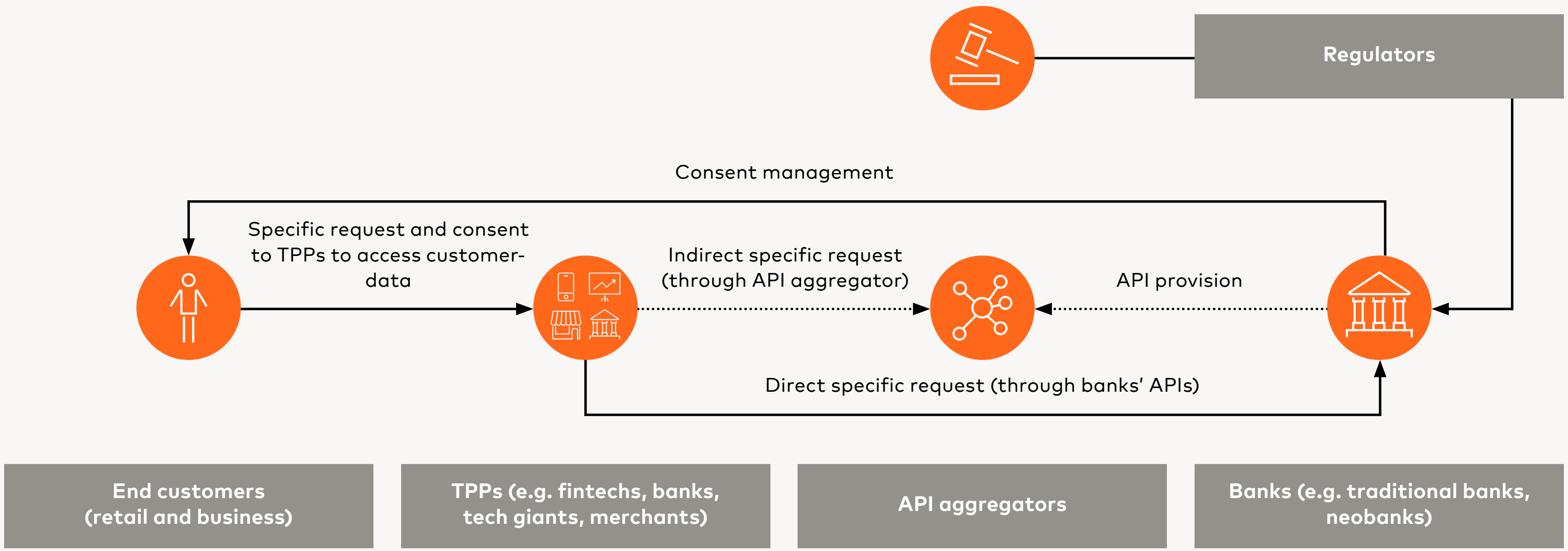
[1] Target group: women and men in Switzerland aged 18 to 74 who use the internet for private purposes at least once a week and who own a smartphone and use it daily; sample size: n=1073 interviews; fieldwork: April 9 to April 19, 2021

About Open Banking

Let us start by answering the fundamental question: what is Open Banking? In broad terms, we can define Open Banking as an ecosystem of interconnected (mostly financial) actors that share data between each other, with the objective of providing value-added services and products that go beyond the boundaries of those a single institution can provide. Let us explore the main elements of this definition below.

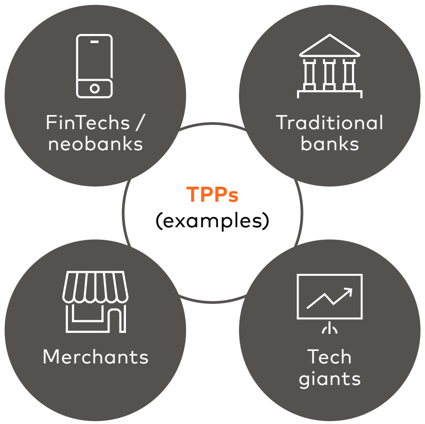
Market actors in the Open Banking ecosystem

The actors in the ecosystem usually play one (or more) of the four roles outlined below:



- **Financial Institutions (FIs):**
  FIs usually hold the customers' data. Based on individually developed platforms, industry initiatives and/or regulation, FIs can share this data with third parties or initiate transactions requested through third-party applications – with the respective customer's consent.
  As the customer account holding entities, they do so commonly through so-called APIs (Application Programming Interfaces). Normally, these are traditional banks, monorail card issuers and insurers that collect data in the context of their relationship with customers.

- **Third-Party Providers (TPPs):**
  TPPs are service providers for consumers, seeking to use consumer data to develop value-added services and products. Even though this role is commonly associated to fintechs, its scope also encompasses merchants, tech giants and traditional financial institutions.



- **Technology Providers/Platforms and Marketplaces:**
  technology providers are the backbone of an Open Banking ecosystem. They provide the technology and platforms behind Open Banking, ensuring the necessary connectivity gateways to access the APIs for data sharing between market actors. Technology providers also take part in standardization efforts, so that market actors can connect with each other in a seamless and efficient manner.
  Although technology providers' importance is unquestionable for a scalable and open ecosystem, they can also be perceived as "optional" players due to the possibility of market actors connecting to each other bilaterally, although typically at significantly higher effort.

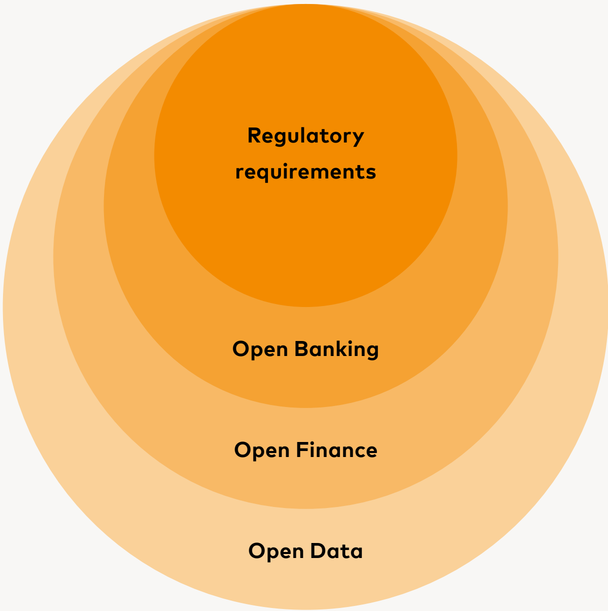
- **End Customers:**
  the end customer refers to the consumer of a service or product at the end of the value chain. They request a service that can be fulfilled either by FIs or TPPs and give their approval for their data to be shared for that purpose.

An additional role can also be present in the ecosystem – the regulator. Some countries or regions legislate Open Banking with the intention to accelerate the liberalization of access to consumer data – as in the case of the European Union (EU) with the Payments Service Directive 2 (PSD2).

Open Banking categories

In the Open Banking environment, data is commonly shared through APIs. This element is the link between the parties' internal systems that allows data to be transmitted from one party to another via secure and seamless processes.

When we refer to Open Banking, we might be inclined to assume that the ecosystem only takes into account banking data. But the scope of such an ecosystem goes beyond banking – in broad terms, any data that can be utilized to build a value-added service to the end consumer that crosses the boundaries of a single entity might be considered as relevant. Below, the four main Open Banking categories are listed. The key difference between them is the type of data each uses.



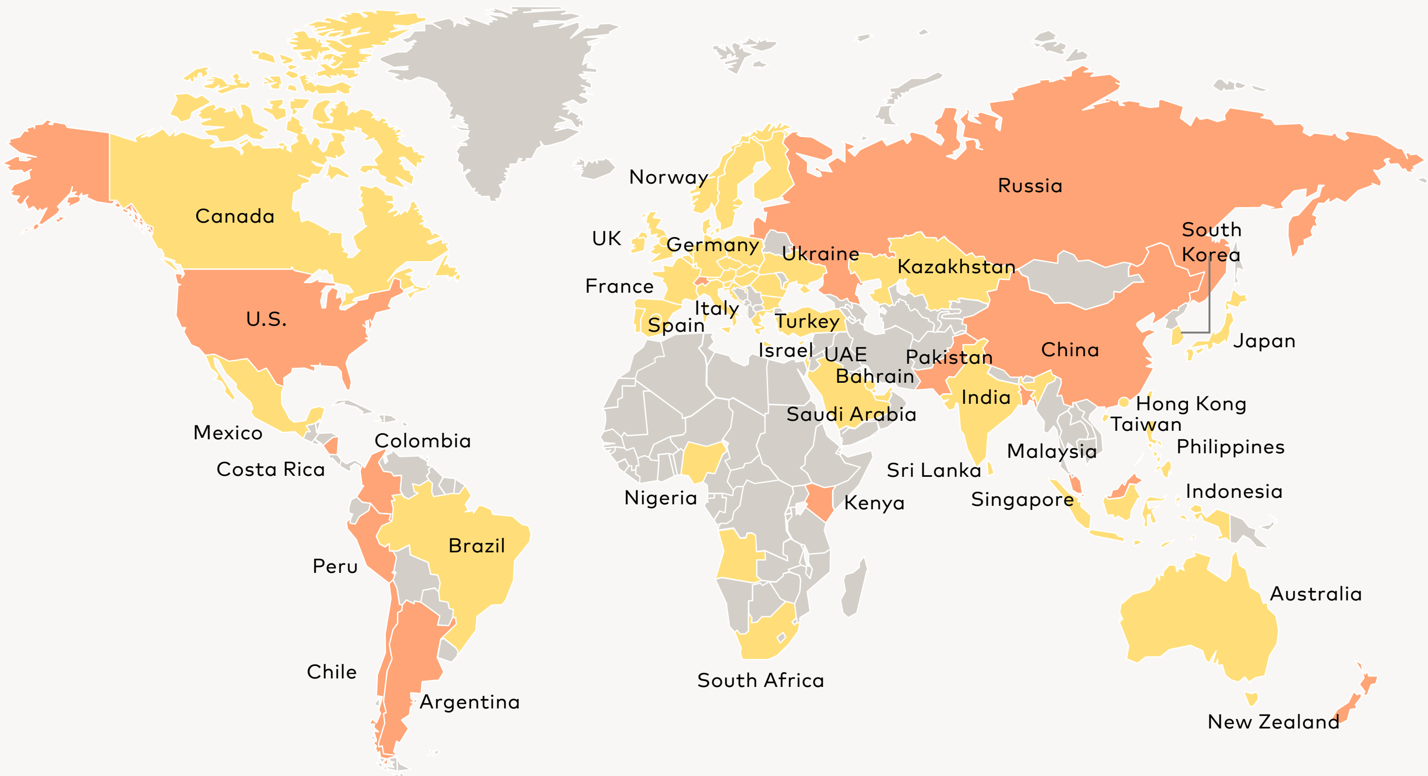
- **Regulatory requirements:** In countries where Open Banking is driven by regulation, regulators determine and provide guidance on which data elements need to be shared for specific financial products (e.g. payment accounts in the EU in accordance with PSD2 or the UK's CMA Open Banking regulation).
- **Open Banking:** a collaborative ecosystem in which data is shared – with consumer consent – among banks and third-party providers (TPPs) through secured application programming interfaces (APIs), in order to provide better digital banking and payment services to end consumers; typically focused on a limited number of banking products, such as access to payment accounts.
- **Open Finance:** the extension of Open Banking data sharing and transaction initiation principles to a broader range of financial sectors and products (e.g. loans, investment account, insurances, pension funds).
- **Open Data:** an ecosystem building on the principles of individual data ownership, with the participation of various financial and non-financial industry players (e.g. telecommunication, technology or energy companies, retailers) and the aim of seamlessly providing a wide range of services to the end consumer.

For the sake of simplicity, in the remainder of this study we will use the term "Open Banking" not only to refer to the specific "Open Banking" category as defined above, but instead meaning all in general (unless otherwise noted).

Overview of Open Banking approaches around the world

When it comes to Open Banking adoption around the world, it becomes evident that the trend has taken hold across the largest world economies, even if each country's level of development differs.

One key driver impacting the development of the ecosystem in each country is the role of regulation. This allows us to make a fundamental distinction: on the one hand, in regulatory-driven markets governments wish to accelerate liberalization of data sharing via legislation, setting the rulebook for the market. In these cases, the extent to which the regulator prescribes Open Banking varies across markets – in some cases, the regulator sets the scope of services while leaving the specifics of the technical implementation open, while in others the regulator also mandates the API standard development that should be followed. On the other hand, in industry-driven markets the development of the Open Banking ecosystem relies solely on the competitive and cooperative forces among the market actors. Switzerland belongs to the latter category.



Regulatory-driven Open Banking regime
Open Banking through regulator-endorsed standards, e.g., for account information and/or payment initiation

Industry-driven Open Banking regime
Open Banking through bilateral and/or voluntary industry associations and standards for competitive differentiation

Open Banking in Switzerland

Role of regulation and standardization

Regulation might be perceived as an important driver of Open Banking, mainly due to its accelerating nature and the centralized guidance it can provide in terms of standardization. While this might be true to some extent, it also carries a number of shortcomings. In the case of the EU, for instance, PSD2 is limited in scope, making mandatory for financial institutions the exposure of three API types (account information, payment initiation and funds confirmation). A recent Mastercard study found that while there has been material progress in large EU markets in recent years, there still are significant differences between them in their progress towards establishing domestic API standards and, with that, introducing a consistently broad set of use cases across the respective domestic markets, supported by numerous TPPs[2]. Hence, regulation might address consumer needs partially, but each market has its own unique characteristics and requires a tailored approach to serve customers in the most effective way.

Considering the above-mentioned effect, Switzerland approaches Open Banking in an industry-driven manner, based on the expectation that the market will regulate itself through its competitive and collaborative forces. Competition will form the Open Banking landscape in a way that only the most relevant and demanded services will prevail and establish themselves in the market. By developing these, Swiss market actors can support successful business cases that will allow monetization and, with that, the creation of new revenue streams. That being said, the lack of regulatory mandates can make the standardization of processes and connectivity protocols more challenging – which in turn can put the true "openness" and scalability of Open Banking into question, and can lead to higher implementation costs for financial institutions, with larger barriers for smaller market players to join the ecosystem. As a result, Swiss market actors have joined forces in collaborative initiatives to set industry standards (mostly API related).

[2] Source: Mastercard Open Banking Readiness Index: The future of Open Banking in Europe

Currently, three standardization initiatives stand out in the Swiss market as the most prominent ones:

- **OpenWealth API:**
  relates to efforts led by the OpenWealth Association (who brings together financial institutions, wealth techs and other technical providers) to create, operationalize and manage API standards that cover wealth-management-related services. Currently, a first version of the API standard is available for testing (covering services related to consumer management, custody services and securities trading), while a second version of the API is being scoped, covering numerous additional services within the same domain.

- **Common API:**
  as one of the main working groups of Swiss Fintech Innovations (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 standardization body for PSD2 in the EU). Finally, these standards have a chance to be widely adopted by Swiss market actors since SFTI, according to their own information, works with technology providers that serve around 75% of the Swiss market for core banking software[3].

- **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. We expect that cooperative and competitive forces among the initiatives and participants may lead to a consolidation down the road – a view shared by market actors. The current collaboration between the OpenWealth Association and SFTI on wealth-related APIs is an example supporting this.

Also driving Open Banking in Switzerland in parallel with the above-mentioned standardization initiatives, market actors are starting to offer platforms with their own suite of API solutions. This is the case with SIX, which launched b.Link in 2020. SIX b.Link is a platform that connects data providers and data users (i.e. financial institutions and TPPs) via Common API compatible APIs to develop services around currently two use cases focused on corporate customers – account information and payment submission. As the operator of the platform, SIX b.Link also manages administrative aspects of the relationships between participants, while ensuring they comply with the desired security standards.

[3] Source: SFTI

Key market actors in Switzerland

Within the Open Banking arena, there is a diverse set of actors that have taken different roles based on how they are contributing to the ecosystem and how they interact with each other. As outlined at the beginning of this study, these market actors can be divided into three main categories: **financial institutions, third-party providers (TPPs) and technology providers/platforms and marketplaces.**

Financial institutions are represented mostly by banks and insurers. We use a broad definition of the former, as we include both traditional and challenger/neobanks as well as monorail card issuers, which are common in Switzerland, under the term. Currently, many of these institutions are in the process of defining how to position themselves in the Open Banking ecosystem, although the presence or lack of a banking license does contribute to the strategic options available. Those already active in the ecosystem seek to be involved in the standardization initiatives and some already offer Open-Banking-related services to select customers, while others are still maintaining a passive attitude towards Open Banking, assessing demand and waiting for tangible opportunities, along with a high degree of standardization that would simplify implementation. Hypothekarbank Lenzburg is an example of a bank already active in the Open Banking environment, serving e.g. Neon and Sonect with banking processes through its Finstar platform.

Furthermore, insurers hold an important role in the future Swiss Open Banking market, since they provide a multitude of financial products relevant to Open Banking use cases, but may also want to leverage them for further digital innovation specifically within their industry. Insurance services' relevance to Open Banking in Switzerland is not only illustrated by their inclusion in the Common API scope, but also by the development of projects such as the Pensions-Cockpit initiative from SFTI and the EcoHub platform from IGB2B. The Pensions-Cockpit initiative aims to simplify the management of Swiss citizens' pensions, which is currently highly complex due to the involvement of various entities across the three pillars, by offering an aggregated view of an individual's situation. The EcoHub platform aims to bring together actors in the insurance market to create a digital marketplace for insurance products. With such platforms being introduced, there is significant opportunity to include a broad range of financial services in an open Swiss ecosystem from an early stage, in the sense of "Open Finance", as we defined it above.

In Switzerland there are already multiple **TPPs** operating in the market, currently offering Open-Banking-enabled services. This type of market actor can focus both on corporate and retail clients. To provide some examples, Bexio and Klara offer services to corporate customers (e.g. through SIX's b.Link platform, see Page 12) – focusing on administrative efficiency services for companies, enabling improvements in accounting, bank account reconciliation and payment processes. Contovista provides data-driven solutions, including multibanking, that can be integrated in banks' interfaces. Wealth management services also already have a footprint in the market, with companies such as Etops and Altoo (although these, out of necessity, also still use methods of connectivity other than APIs).

Technology providers/platforms and marketplaces serve as technical partners to provide connectivity services between parties in the Open Banking ecosystem. Among these, core banking system providers usually offer API services to facilitate connections to other actors that use their branded systems. Some of the most important providers in the Swiss market are Finstar, Avaloq, Temenos and Finnova. Additionally, there are technology providers that seek to create API marketplaces or platforms, in which APIs are not created based on established software, but with the overall goal of interconnectivity in mind. In this group, we identify actors such as SIX b.Link, Inventx, and Swisscom. Technology providers will be essential to boost scalability of Open Banking solutions in Switzerland based on the standards established by current initiatives. Mastercard itself aims to be an active contributor to the Open Banking ecosystem and has developed a number of services to address the needs of market actors globally across the various steps of the value chain. With the aim of leveraging its international technological know-how, Mastercard is committed to the development of Open Banking in Switzerland and as such is an associated member of SFTI.

Open Banking readiness in Switzerland

Macro indicators of Open Banking readiness

Open Banking is a trend that is enabled by the technological and digital readiness of its participants. Consequently, we may argue that a country showing higher levels of digital adoption across the population – such as internet usage, smartphone penetration and e-commerce utilization – will have higher likelihood of being ready to adopt and scale Open Banking. Being a highly developed economy – ranking eighth in GDP per capita in the world[4] – it is of no surprise that Switzerland has a solid foundation in this regard.

For obvious reasons, internet availability is of paramount importance to Open Banking use cases. In Switzerland, 97% of the population uses the internet, a share that has experienced a +3pp. growth over the last four years. This fact puts Switzerland ahead of the overall EU population – where 88% of people are internet users[5]. Smartphone penetration is another aspect that plays a significant role in the consumer adoption of Open Banking, since several key Open-Banking-enabled services relate to solutions on the go that will improve user experience and ease of use. Also on this metric, Switzerland is ahead of the EU, with 94% of households owning a smartphone while the EU presents a 75% share[6]. Most importantly, the share of internet users that access the internet via their smartphones stands at 80% in Switzerland vs 73% in the EU. Another basis that supports Switzerland's readiness for Open Banking can be established by looking at the Digital Intelligence Index (DII). The DII, an index resulting from a collaboration between The Fletcher School at Tufts University and Mastercard, aims to quantify the digital development of countries by encompassing a large breadth of indicators to provide an exhaustive analysis on this matter. The DII puts Switzerland at the forefront of digital innovation in Europe, as it is ranked third (only behind Finland and Denmark). Additionally, according to the DII, Switzerland presents digital evolution momentum at par with its European peers, suggesting it being a digitally mature market.

[4] Source: World Bank. GDP at current prices (in USD). Values for 2018-2019
[5] Source: RBR
[6] Source: Euromonitor

The Digital Intelligence Index (DII) platform has several scorecards measuring various aspects of the global digital economy such as digital evolution and digital trust. As the foundational measure, the Digital Evolution scorecard tracks the state and historical momentum of 90 economies – comprising 95% of the world's online population – over twelve years (2008–2019). It measures 160 indicators across four key pillars: institutional environment, demand conditions, supply conditions and the capacity for innovation and change. The Digital Evolution scorecard defines a framework that captures, on a scale from 0 to 100, both the state and rate (momentum) of digital evolution.

Digital Evolution state across European countries

Rank	Country	Score
1	Finland	87.30
2	Denmark	87.17
3	**Switzerland**	**86.89**
4	Netherlands	85.84
5	Norway	85.34
6	Sweden	85.07
7	Iceland	84.29
8	UK	81.84
9	Germany	79.27
10	Estonia	76.66
11	Austria	75.42
12	Belgium	74.51
...	Other European countries	...
32	Azerbaijan	51.85
33	Ukraine	46.03
34	Bosnia & Herzegovina	39.65

Digital Evolution momentum across European countries

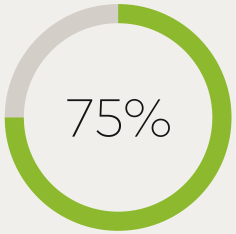
Rank	Country	Score
1	Azerbaijan	65.28
2	Denmark	60.72
3	Russia	58.90
4	Poland	57.29
5	Bulgaria	55.02
6	Lithuania	54.21
7	Latvia	52.82
8	Serbia	51.16
9	Czechia	50.89
10	Ukraine	49.21
...	Other European countries	...
22	**Switzerland**	**43.44**
...	Other European countries	...
33	Belgium	36.17
34	Sweden	33.86
35	Hungary	30.64

Consumers' attitudes towards Open Banking

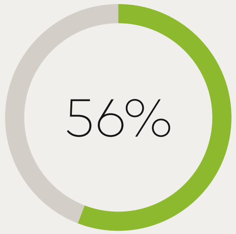
In our effort to understand the value potential that Open Banking might have for consumers, and their attitudes towards it, we partnered with LINK Institute to conduct a detailed market study. A representative sample of over a thousand respondents was addressed, aiming to capture consumers' digital and banking affinity, interest in Open Banking, willingness to pay for Open-Banking-enabled services, and concerns that may prevent them from doing so. In the following sections we illustrate the findings in a summarized manner and will dive deeper into specific services and willingness to pay in the second part of our study.

Customer relationship with their primary bank and willingness to change

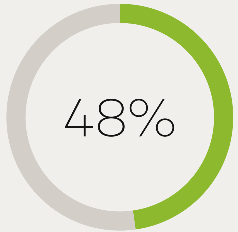
At 75%, the majority of Swiss consumers were satisfied with their primary bank relationship – to the point that only 6% considered changing it over the next year. A solid degree of loyalty to primary banks is observed as well, as 56% of clients had never switched, likely due to the fact that 48% had been customers since childhood.



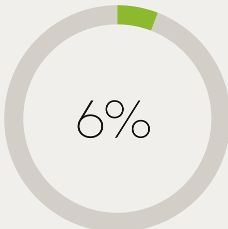
Consumers satisfied with their primary bank



Consumers that have never changed their primary bank

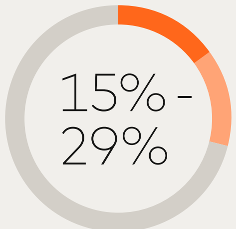


Consumers that are customers of their primary bank since childhood

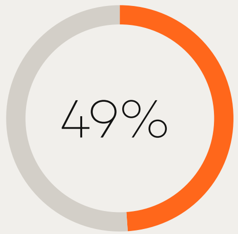


Consumers Depending on service willing to change their primary bank with current services

Depending on service



Consumers willing to change primary bank or add a relationship per OB-enabled service



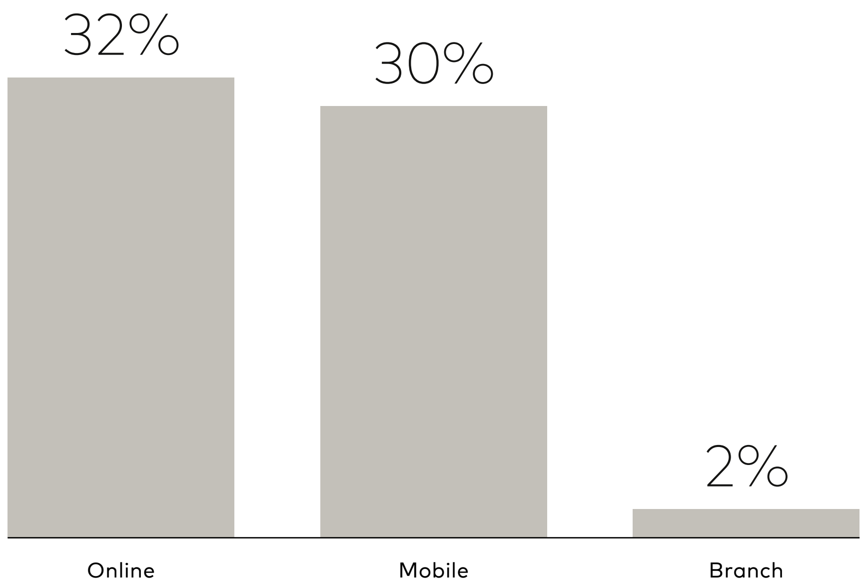
Consumers willing to change primary bank or add a relationship for at least one OB-enabled service

Despite the long-lasting relationships with their primary banks, the average Swiss consumer held additional relationships with other banks. Specifically, 58% of consumers had more than one banking relationship, with an average of 1.9 relationships across the whole sample. While the top-cited reason for being a client to multiple banks was related to reducing risk by holding assets across multiple institutions, an important share (26%) was related to competitiveness in offered financial products. Furthermore, even though resistance to switching a primary bank relationship clearly is high, if a bank other than the consumer's primary bank offered Open-Banking-enabled services, up to 29% would consider changing their primary bank or establishing an additional banking relationship to access a particular service among those included in the survey[7]. In fact, when looked at across all services, 49% of consumers considered this to be likely for at least one.

Consumer interaction with their banking institutions was another topic that was examined. By looking at the preferred channels of communication between the average Swiss client and their financial institution, we observed that digital channels (online and mobile) help increase the frequency of contact with consumers. We found that 32% of respondents use online banking at least on a weekly basis, closely followed by 30% for mobile banking, while only 2% of survey participants visit a bank branch on a weekly basis. There is still unrealized potential in mobile banking usage, however, as 33% of consumers reveal that they have never used this channel to manage their finances. Comparing this to mobile usage beyond banking, 44% of respondents had more than twenty apps on their phone[8] (and 73% more than ten) across a wide range of categories, further supporting the use of this channel for everyday needs.

Given these survey results, it can be argued that Open-Banking-enabled services have the potential to increase acquisition and retention of both customers and share of wallet for those that choose to innovate – fostering competition in the market – while mobile banking is expected to play a central role in this scenario, as a valuable interaction channel for the customer interface.

Share of consumers that use each channel at least on a weekly basis

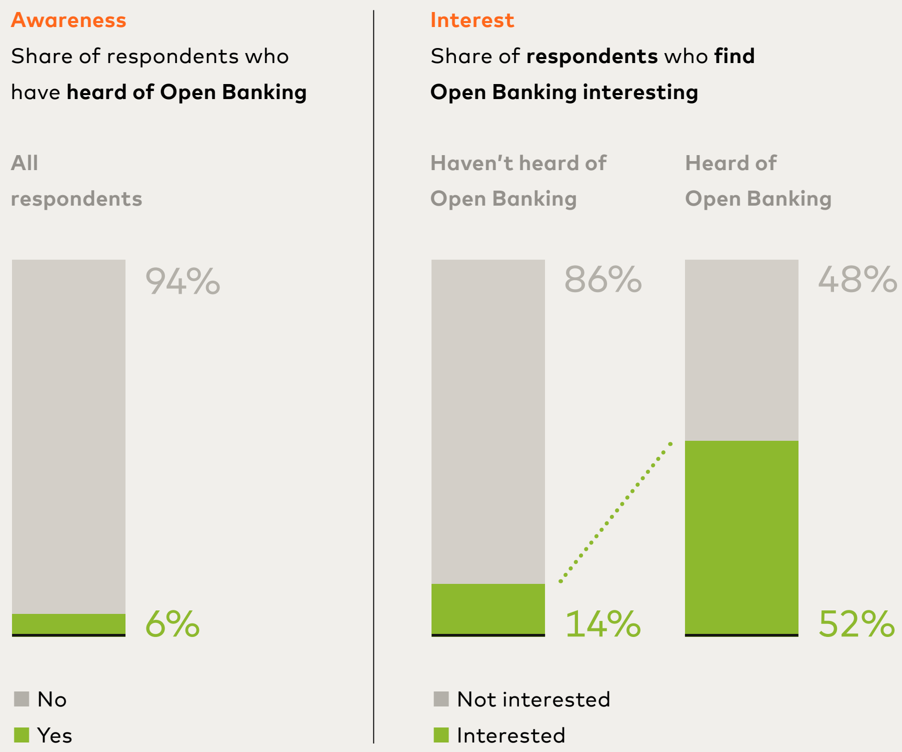


[7] Includes every respondent that considered these scenarios as "very likely" or "rather likely", after the services were explained, but before introducing a pricing factor
[8] To be understood as downloaded apps, beyond standard ones pre-installed on an OS

Awareness and interest in Open Banking

Currently in Switzerland, the term "Open Banking" still appears to be perceived as financial jargon, with its recognition rate rather low. When participants were asked whether they have heard the term "Open Banking", only 6% of them answered positively. However, this is not an indicator of consumer interest towards Open Banking. From the share of people that recognized "Open Banking" as a term, 52% revealed they found it interesting. After providing a generic definition of Open Banking to the ones that had not heard of it before, 14% of them showed interest towards it. Therefore, taken together, 16% indicated interest purely based on the definition of "Open Banking" across the full sample. This interest level increased when consumers were provided with explanations of real use cases of Open Banking, resulting in an above 50% share of interest[9] for the top three. Therefore, we clearly observe that consumers' interest in Open Banking is indifferent towards financial terminology, and while it may not be as visible yet today, consumer education with real life examples of Open Banking will be essential for financial institutions to drive this consumer demand potential. Apart from general interest, even 62% of consumers indicated that they would be willing to pay a fee for Open-Banking-enabled services, when asked for a use-case-agnostic maximum amount, while 45% would pay above CHF 4 per month. We will detail these outcomes further in the second part of our study.

Consumer awareness and interest in Open Banking



[9] Interest is defined as respondents who answered "I definitely think I would use it" and "I think I might use it" when presented with use cases and being asked if they would use them

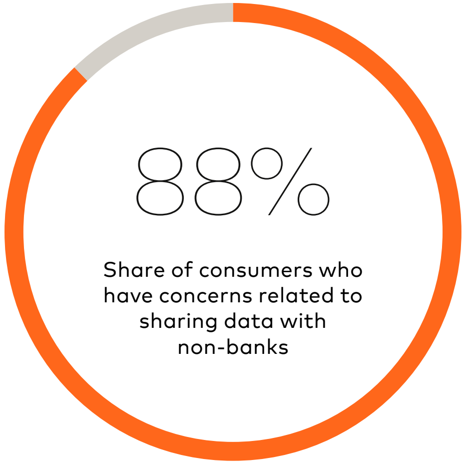
Security concerns
Sharing consumers' financial data serves both as the prerequisite of the Open Banking ecosystem and as one of its main perceived threats. Dealing with sensitive and private data has the potential to generate concerns with consumers and institutions alike – with consumers due to worries about how data might be handled, and institutions due to the necessary investments to safeguard and manage such data.

Based on the survey's results, 88% of consumers revealed having concerns when sharing their financial data with non-banks. The main reasons behind these concerns stem from the potential use of their financial data for commercial purposes and potential security failures leading to the exposure of their data. While consumers hence are wary of sharing financial data with non-banks, the majority (69%) is at the same time willing to entrust their primary bank with the management of their financial data from third parties. This brings us to a key finding: while established primary banking relationships might be questioned when new market actors begin offering Open-Banking-enabled services, primary banks will still be in an ideal position to bridge the trust gap that consumers have, by establishing partnerships with non-banks/TPPs. Based on the survey results, we identified factors that may drive consumers' willingness to share their data. Two of the most important were the following:

Providing additional information:
57% of customers indicate potential willingness to share their data with a service provider (bank or TPP) if certain information is provided in advance to achieve a high degree of transparency (e.g., what the data is going to be used for, what exact type of data will be shared, what security mechanisms the provider has in place to safeguard data, etc.). Nonetheless, 41% of customers would not be willing to share their data, regardless of the supporting information provided (the remaining 2% did not provide an answer to this question). Interestingly, given the interest in use cases identified above, this also means that only a small share of consumers may find Open-Banking-enabled services interesting, while rejecting the mechanics required for their provision in the background.

Creating clear benefits from data sharing:
TPPs have a tougher standing for consumers to share their data with them than primary banks. However, where the benefits from data sharing – both monetary and non-monetary – can be made fully clear to consumers, they will be more inclined to do so. The main factors that those who indicated less concern about sharing their data with TPPs mentioned were access to better, more convenient services, receiving better fee terms or discounts and cashbacks. While this certainly does increase the hurdle for TPPs to bridge the trust gap, it also illustrates the opportunity for those that can convey such value to convince many consumers to interface – and share data – with them.

Data sharing concerns among consumers



Top concerns:

1. "Non-banks will use financial data for commercial purposes"
2. "Financial data will not be secure at non-banks"
3. "Financial data could be misused, and I could lose money"

The survey also studied consumers' thoughts on sharing insurance data. Compared to financial data, consumers revealed less concerns about sharing insurance data with non-insurance companies, although the percentage of those concerned was still high, at 78%. The reasons for the concerns were in line with those for financial data. Interestingly, at 38% the share of those viewing an insurer as a trusted party for third-party insurance data was lower than that of primary banks for finance data. In fact, primary banks were a close follower as trusted party for insurance data as well, being mentioned by 32% of consumers.

What information would you need to consider sharing your financial data with a provider (bank/TPP)?
Results: top four (full sample), multiple answers possible

Purposes for which the information would be used	36%
Type of information to which the provider would have access	34%
What the provider would do to protect the privacy of your information	33%
Wouldn't share data regardless of information provided	41%

Why would you share your personal financial data with a TPP?
Results: top four (among those not indicating concerns), multiple answers possible

Better products / services	35%
Better fee terms	30%
Convenience	26%
Monetary compensation	24%

Market actors' attitudes towards Open Banking

In addition to conducting the consumer market survey, our research included interviews with key market actors in the Swiss market, aiming to gather their thoughts and attitudes on various topics around Open Banking. To ensure that the collected insights cover not only the views of traditional financial institutions, we also interviewed representatives of emerging market actors, financial service providers and knowledge platforms. While insights from these discussions were included in many parts and considerations of this study, key findings were the following.

Most market actors see **customer demand** as the main driver to Open Banking development and, as such, the catalyst for further driving factors like standardization efforts, development of new services and resulting market competition. Visibility of such demand is also one of the reasons why many current Open-Banking-enabled services and developments in Switzerland focus on commercial and wealth use cases. At the same time, retail customers' perception of Open Banking is considered as currently underdeveloped (as our consumer survey confirms). As a result, there is some scepticism towards the extent of consumer interest in retail Open-Banking-enabled services, but several market actors converged to the opinion that the perceived lack of interest might be a result of the lacking supply of services today, but may be jump-started by the introduction of and education on first innovative use cases. This is supported by our survey findings, where interest in Open Banking rose significantly once services were illustrated. While it is clear that one predominant goal for many market players will be maintaining the customer interface, this may ultimately end up as the prerogative of the strongest innovators and best advisors, while others may choose to champion processes and scalability in the background. Whichever it may be, Swiss financial institutions have in many cases already concluded that Open Banking in Switzerland is an inevitable strategic question and the definition of their respective strategic approach is important to be well positioned for the future.

That being said, for a market actor to be among the first movers, several **barriers need to be considered**. Financial institutions are wary of the investment cost (e.g. overcoming legacy systems, developing and applying new connectivity layers) that will be required in developing Open Banking and the services it enables. The challenge of assessing customer interest leads to uncertainties in building a business case around such endeavours, which in turn could help ensure priority in the development pipeline. At the same time, the risk seen by incumbent financial institutions that opening up the data gates would almost unavoidably lead to the loss of clients and the customer interface was much more predominant when the concept of Open Banking was still newer than it is today. There is no doubt that current operating models will be challenged, but the view that there are win-win outcomes to be gained when market actors focus on those parts of the value chain that they are the strongest at is increasingly taking hold.

Market actors consider one of the most important enabling factors for the further development of Open Banking to be the **establishment of standards** for APIs and processes. With the different standardization platforms existing today, current efforts in Switzerland show heterogeneity in API development, and there is some recognition that future market needs should be addressed via a more holistic approach – going beyond APIs, to standardize adjacent processes as well (e.g. contracts between financial institutions and TPPs, consumer consent management, due diligence of TPPs, etc.). Furthermore, the establishment of such standards will be a key factor for those that are still following on the sidelines to join service development efforts as well.

Although this plurality of competing standards certainly is a result of an industry-driven market, there is broad agreement that **the regulator** should continue to have a limited role in the ecosystem and let market actors "regulate" themselves through competitive and collaborative forces. This is, among others, based on the notion that regulation of use cases and technological standards might prove to be a hindrance in the market's ability to maximize innovative potential and serve those use cases expected to create most value for consumers and market actors alike, as requirements evolve in a rapid manner that regulation may not be able to follow. At the same time, it was mentioned a few times that where guidance by a regulatory instance may be most beneficial is in registering and licensing TPPs. This could provide customers (and other ecosystem participants) the needed confidence in interacting with new market actors – and send the clear message that the very high standards of the Swiss financial services industry are being maintained.

Conclusions and insights from Part I

To conclude this first of our two-part study, let us summarize a few key insights:

- Switzerland is in an overall solid position to foster the development of Open Banking through its industry- driven approach and high ranking in digital readiness.

- Consumer demand is expected to drive Open Banking development, and while it may not be clearly visible in the market as of today, a large share of surveyed consumers indicate interest in Open-Banking-enabled services and willingness to pay for them.

- Customer loyalty to their primary bank is generally high at present. Still, a higher share of consumers indicates willingness to change primary bank or add a banking relationship for Open Banking-enabled services, once those are available in the future, than would be willing to do so today.

- The majority of consumers indicate concerns about sharing their financial data with TPPs while trusting their primary bank the most, ideally placing it to bridge the trust gap. Such concerns can be mitigated with a very high degree of transparency regarding data use and, for TPPs, the demonstration of clear monetary or non-monetary value that others may not be able to provide.

- Many Swiss market actors have recognized Open Banking as an inevitable strategic issue and the recognition of its win-win potential is increasingly taking hold. Still, numerous barriers for its development and prioritization remain and clear first movers have yet to be seen.

- Private initiatives are taking the lead in standardization efforts as 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 on the sidelines.

We will continue our analysis in Part II of the study, taking a deeper look at monetization opportunities for Swiss market actors, with a more detailed view on services, consumer interest and willingness to pay.

Appendix

1073 consumers, women and men from Switzerland aged 18 to 74 who use the internet for private purpo-ses at least once a week and who own a smartphone and use it daily, were questioned in field research from April 9 to April 19, 2021. The computer-assisted web interviews were conducted by LINK Institute.

Total	**1'073**	**100%**
Male	549	51%
Female	524	49%
Age		
18-29 years	234	22%
30-44 years	332	31%
45-59 years	323	30%
60-74 years	184	17%
Region		
German	812	76%
French	261	24%
Town inhabitants		
up to 10'000	593	55%
10'000-50'000	284	26%
more than 50'000	148	14%
Level of education		
Low / Medium	606	56%
High	462	43%
Monthly income		
up to 6'000 CHF	252	23%
6'001 to 10'000 CHF	338	32%
over 10'000 CHF	295	27%

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