

CFPB's proposed new rule paves the way for US open banking

Article

The news: The Consumer Financial Protection Bureau's (CFPB's) proposed [Personal Financial Data Rights](#) rule revives an old law that boosts competition in financial services.

- It gives consumers more control over their financial data and lets them switch banks more easily to take advantage of favorable rates and services.

What's changing? Introduced on October 19, 2023, [the proposed rule](#) has a stakeholder feedback period that lasts until December 29, 2023.

- The rule seeks to **establish consistent industry standards for consumer data access and protection**.
- It aims to enhance efficiency and foster innovation by **promoting data sharing and competition** between FIs.
- **Implementation will happen in phases**—larger FIs will need to comply more quickly than smaller ones.
- Community banks and credit unions that lack digital interfaces are exempt from some of the rule's requirements.

What it means for your firm: [Per](#) the CFPB's press release, financial institutions (FI) will be monitored to ensure they're aligned with following changes:

- **Providing personal financial data free of charge** via secure digital interfaces
- **Enabling customers to share their data with third parties**, facilitating switching and account management
- **Implementing robust data protection measures** to prevent misuse and surveillance, shift away from risky data collection methods, and contribute to developing fair industry standards

What it means for your customers: The proposed rule will revolutionize how people engage with the banking system—moving the US closer to an [open banking](#) ecosystem.

- Customers will find it easier to walk away from their FIs if they think they can get a better rate or better service elsewhere. The cumbersome process of closing and reopening accounts when switching to a new financial institution will be streamlined.
- Customers will feel incentivized by potential savings to stay informed about products and services offered by competing FIs.
- Customers who may have been afraid to switch banks due to privacy concerns may gain more confidence from the new standards.

The bottom line: On top of staying in compliance with the new rule, FIs will need to adjust how they approach customer loyalty. Without the privacy concerns of switching FIs, or the red tape of opening and closing accounts, FIs will need to earn loyalty every day.

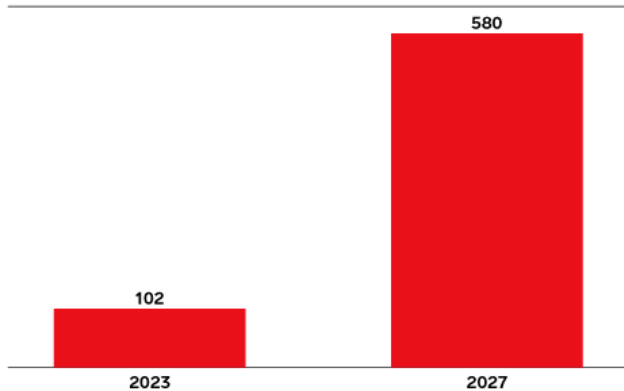
- Open banking does not necessarily mean FIs need to race to the bottom for pricing and rates. But they will need to offer innovative and improved financial products and services to attract and retain customers.

An unintended consequence of this rule might be encouraging customers to shift away from smaller FIs and credit unions that lack the digital infrastructure to keep up.

- As a result, these smaller FIs will need to find alternative ways to retain customers and strengthen relationships—such as offering highly personalized services and enhancing customer service.

**API Calls Generated by Open Banking Worldwide,
2023 & 2027**

billions



Source: Juniper Research, "Open Banking: Opportunities, Competitor Leaderboard & Market Forecasts 2023-2027" as cited in press release, May 3, 2023

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