

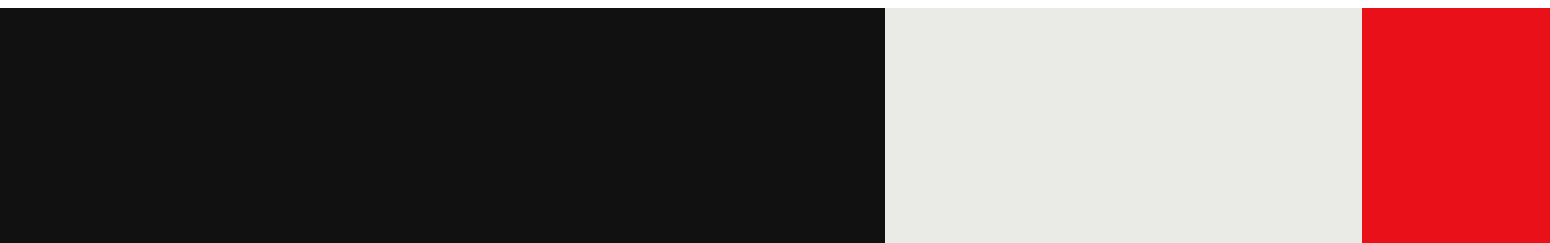
US open-banking regulation tripped up by privacy concerns

Article



The news: Privacy concerns are reportedly delaying a new open banking rule in the US which would let consumers share their financial data with third parties, according to Reuters.

The Consumer Financial Protection Bureau (CFPB) rule allowing consumers to share their financial data would potentially make it easier for them to switch service providers and benefit from lower fees.



What's the hold up? The CFPB's reservations stem from consumer privacy and data protection issues—specifically, that Big Techs could exploit personal consumer data, anonymous sources told Reuters.

- The delay comes amid a **global wave of regulation and penalties against Big Tech** firms as watchdogs grapple with restrictions to protect consumers' data.
- Last year, **President Biden urged the CFPB to progress with rulemaking** that would give customers the right to port their data from one bank to another.
- Unlike the UK and the rest of Europe, the US banking industry still has no open banking standards. And the **CFPB is in no rush** to fill the regulatory gap.
- The CFPB, banks, fintechs, and other data users **disagree over which information to share**. Banks generally want to limit what's shared, shielding data they see as proprietary. By contrast, fintechs and Big Tech want more data access to support their products and services while making it easier to win new customers.

The opportunity: New open-banking regulation will make it easier for consumers to share their banking data by **simplifying the bank-switching process**. This could potentially help neobanks and Big Tech pick off incumbents' customers to build out their banking businesses.

Easier data movement will also benefit incumbent banks by letting them share their data with fintechs. Banks could then better integrate fintech technology to improve the services they offer and deepen customer relationships. Ultimately, open banking will **help banks and companies tailor their products and services** to the needs of individual customers using insights gleaned from huge quantities of customers' financial data.

But consumers remain wary of data privacy issues: A 2021 Axway survey found that **47% of US consumers worried about losing control over their financial data access**. More than half of US adults surveyed by the Future of Tech Commission felt they had somewhat less or much less control over their personal data and privacy.

US Banking Users' Level of Interest in Switching Banks if Offered an Open Banking Platform, by Generation, Aug 2021

% of respondents in each group

	Very/extremely interested	Somewhat interested	Slightly/not at all interested
Gen Z (18-24)	23.5%	29.0%	47.5%
Millennials (25-40)	35.7%	29.5%	34.9%
Gen X (40-57)	21.6%	26.5%	52.0%
Baby Boomers and Seniors (57+)	5.6%	16.4%	78.0%
Total	20.2%	24.1%	55.7%

Note: among respondents with third-party apps connected to their bank accounts

Source: PYMNTS.com, "Sharing Bank Account Credentials with Third Parties: Convenience Versus Security", Nov 2, 2021

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The bottom line: The US lags behind Europe on open banking regulation partly because it lacks any uniform federal standard similar to the General Data Protection Regulation (GDPR), which in Europe regulates the collection and use of consumer data. In the absence of all-encompassing federal law, the CFPB is erring on the side of caution and trying to be proactive in managing customer privacy.