Finicity co-founder talks open banking, fintech trust, and web3

Article

Although the UK pioneered open-banking regulations (and popularized the term), **Finicity** CEO Steve Smith contends that the US has long been the engine of innovation driving the space forward.

In a wide-ranging interview with Insider Intelligence, Smith unpacks:

- Why **open banking is a valuable tool** for consumers, fintechs, and incumbents alike—and where it's headed next

- The **regulatory landscape**, identifying where regulators can take the baton from the industry to keep consumers safe

- Why consumers have a **hard time <u>trusting fintechs</u>** with their financial data

- How **social media companies** can get involved in consumer finance

- And the role open banking and APIs will play in **web3**

Here are a few highlights from our chat:

Insider Intelligence (II): Where do you think open banking is headed?

Steve Smith (SS): The term "open banking" came from the UK's regulated approach to opening access to bank data. We didn't call it open banking in the US—we called it data aggregation, and we took a laissez-faire, straight-driven approach. This technology really came to life in '99 and grew from there. **The US has really led as an innovation engine**—but I think we've lacked some guardrails that would be helpful.

In the UK, regulators came out and said, "This is the regulated system." That slowed adoption. We're finally starting to see some pretty good adoption in the UK—and it's spreading pan-Europe. The question is **whether the UK is going to accelerate ahead of the US as we wait for the CFPB** to lean in and regulate under Dodd-Frank's section 1033, or can we get that done in a timely way? I don't know. It's been interesting to watch.

II: Are there use cases that you think open banking solutions should avoid or where maybe removing friction has gone too far?

SS: The base definition for open banking is about authenticating a bank, authenticating a customer, and then that customer providing permission for the bank to share data with a known third party. I wouldn't change that up in any way.

But I wouldn't do an auto-permissioned stack—that's super dangerous. I would always want to be able to say, "I'm connecting this third party or this payment process to this account for this purpose." And I'd want to be able to change it if I needed to. **I don't think that we have permissioning quite right yet. There's still too much friction in that process.**

<u>*Read the full Q&A with Steve Smith here*</u>.