MAY 07
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Trump administration's CFPB considers modifying Biden-era open banking rule

Article

The news: The Consumer Financial Protection Bureau (CFPB) is considering loosening its Biden-era rule on open banking—or rolling it back entirely and starting over.

The rule mandates that financial institutions (FIs), credit issuers, and payment apps like Venmo and Cash App must transfer consumer financial information to other providers for free at the consumer's request.

As it stands, large FIs with over $850 million in assets must comply with the rule by 2026. Smaller institutions have until 2030.

Banks' contentions: Banks want to protect their liability for data breaches. They also want to charge fees for accessing their data and block providers that abuse their access to customer data through the open banking system—under the current rule, their hands are tied.

Who stands to benefit? Traditional financial institutions have the most to gain from revising or rescinding the rule. Open banking lets fintechs—and other banks— more easily poach customers from each other, while also opening banks up to increased liability for data and privacy breaches. Banks' costs for compliance would also rocket upward.

Who stands to 'lose'? Fintechs like Block-owned Cash App, PayPal, and Stripe benefit from freely shared financial information, which helps them grow their platforms. With fintechs angling to expand into new arenas like auto loans and mortgages, this rule's reversal stands to stymy the free flow of information.

Our take: Whatever the CFPB decides, one thing is certain—change will likely be slow. DOGE cut both funding and manpower at the bureau, which slows any kind of action at the federal level.

In the meantime, the UK's bumpy open banking rollout stands as a cautionary tale—an unclear regulatory future leads to confused consumers who don't understand the technology, stunting its expansion.