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US open-banking regulation gets Biden's backing

Article

The news: President Joe Biden is urging the **Consumer Financial Protection Bureau (CFPB)** to press forward on rulemaking that would give banking customers the right to port their data from one bank to another.

The push from the White House—it's part of a broader executive order addressing competition in various industries—encourages the CFPB to continue its current rulemaking effort under the Dodd Frank Act"s Section 1033.

How we got here: While the Dodd-Frank Act became law in 2010, the bureau has been slow to implement open banking regulation under it.

- The bureau only laid the groundwork in 2016 and 2017, when it sought a request for information and produced a statement of principles, respectively. The regulator then held a symposium for industry stakeholders in February 2020.
- In October 2020, the CFPB issued an advance notice of proposed rulemaking and asked for feedback under the process until February. The bureau has included data sharing in its latest rulemaking agenda, although it has yet to issue a written proposed rule.

In the absence of open-banking regulation under Section 1033, private-sector actors have ventured in to fill the void.

- Prominent examples include API provider **Plaid**—it raised **$425 million** in April with a **$13.4 billion** valuation—and **Akoya**, which counts **11** US banks as investors and most recently added one of them, **Wells Fargo**, to its data-sharing network.
- Additionally, a large group of prominent US and Canadian financial institutions have also banded together to form the **Financial Data Exchange (FDX)**, which is seeking adoption of an industry-wide API technical standard.

The opportunity: A CFPB-issued open-banking regulation will make it easier for consumers to port their banking data and will simplify the bank-switching process. This could potentially help neobanks to pick off incumbents' customers and persuade potential users to designate them as their primary banks. Neobanks would then profit from higher value per client and higher deposit totals.

Convenient data movement would benefit challenger and incumbent banks alike by letting them share their data with fintechs. Banking players could then market seamless integration with fintechs as an enhancement to the customer experience to appeal to prospects and deepen existing customer relationships.