Institute and Faculty of Actuaries

1 October 2020

FCA Call for Input: Open finance

IFoA Response

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 32,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers.

Key points

The IFoA welcomes the FCA's efforts to understand the potential offered by extending open banking more widely across financial products, through open finance. The development of open finance could potentially offer a range of benefits to consumers: it could give the consumer a holistic view of their finances, but also improve consumer engagement and outcomes.

The need to harness technology and support innovation has become all the more important given the challenges consumers and businesses are facing as the COVID-19 crisis evolves. To the extent that consumers' digital capability has been accelerated in recent months, a wider group of consumers may potentially be able to derive benefit from open finance.

Financial inclusion is a potential/ real issue across financial services, and we suggest that improving inclusion should be one of the intended aims of open finance. However, in some cases, the potential benefits may only be available for some consumers

In considering open finance, it is sensible to learn lessons from open banking, and build on its success. Enhancements may be required to the regulatory framework though to ensure that consumer data is secure and not misused, and that artificial intelligence algorithms are used on an ethical basis, avoiding inherent bias.

A logical early development of open finance would be to mortgage business, given the natural synergy with banking products offered via open banking. We recognise it may be more challenging to extend open finance to wider financial services, given the lower level of product uniformity relative to that seen in banking. Notwithstanding this, we recognise the potential of building on the development of pension dashboards in an open finance context.

Where open finance is successively extended to wider financial service sectors, it would be helpful to learn from earlier extensions to inform the development in more challenging sectors, such as pensions and also insurance. Home or motor insurance could feasibly take advantage before health insurance; in this scenario, market forces may also influence a natural sequence.

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1. The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the FCA's Call for Input (CfI) on open finance. In developing our response to this report, we have drawn upon input from members working in the insurance, finance & investment and banking sectors.

2. It is important to note that, as for any IFoA response, we have considered the issues and remedies proposed from the perspective of the public interest.

3. The IFoA welcomes the FCA's efforts to understand the potential offered by extending the concept of open banking more widely across financial products through open finance. The development of open finance could potentially offer a range of benefits to consumers. Specifically, it could provide consumers with a holistic view of their finances, something that open banking cannot do. More generally, it could improve consumer engagement and outcomes, while facilitating the development of innovative products and services (as has happened in open banking).

4. We recognise that the CfI was published before the subsequent COVID-19 crisis emerged and took hold. The FCA's introduction to the CfI explained that:

   Increased use of data and technology is changing how our financial markets work. It has led to greater innovation as new business models and ways for firms to engage with their customers have emerged.

   We believe the need to harness technology and support innovation has become all the more important given the challenges consumers and businesses are, and will continue to face, as the COVID-19 crisis evolves. In particular, the COVID-19 lockdown has accelerated the trend from face-to-face to online banking/ financial services, and has underlined the importance of online services for all consumers. To the extent that consumers' digital capability has been accelerated in recent months, a wider group of consumers may potentially be able to derive benefit from open finance.

5. In considering open finance, it is sensible to learn lessons from open banking - and, where possible, to build on its success. However, as the CfI notes, it may not be appropriate, or straightforward, to translate the development of open banking to other financial sectors, without modification.

6. We would be very happy to discuss our response to the CfI with the FCA, and provide a wider perspective from our independent, public interest-focussed viewpoint.

Call for Input: Feedback Questions

Q1. What action can we take to help ensure the potential of open banking is maximised, for instance to support the development of new open banking services?

7. We recognise that the regulatory world has evolved since the emergence of open banking, and the regulatory framework applicable here is not ideal for the development of open finance, or the application of machine learning techniques to the data that becomes available. In particular, we believe a significantly enhanced regulatory framework is necessary to ensure that:

   - consumer data is secure and that it is not misused. Consumers need to be confident about the security of their personal data and about redress in the event of a problem, such as a data breach; the Open Banking Working Group recognised these issues some time ago in their paper 'The Open Banking Standard';
   - artificial intelligence algorithms are reliable and do not have inherent biases that could lead to systemic mis-selling. As an indication of how such a framework could be developed, we refer to our paper 'A Guide for Ethical Data Science', written by the IFoA and the Royal Statistical

Society (RSS)[1]. We firmly support fair pricing in financial services, and believe open finance should be developed with a key aim of increasing fairness and transparency in product pricing.

8. In relation to consumer confidence/ security, it is entirely plausible that scammers could target new users of open banking (or new applications of open finance). For example, once consumers sign up to open banking/ finance, they may be asked to download some fraudulent software, such as an App purporting to make the most of the advantages of their new banking/ financial interface. On the other hand, we recognise that open finance could support fraud detection and cyber security and online proof of identity.

9. Although avoiding bias in algorithms and data could be regulated against to some extent, another key ingredient is the diversity of the workforce creating the product. Proactively promoting diversity across the full open finance ecosystem from its initiation will lead to better outcomes in terms of product design, marketing and overall service for typically underrepresented groups.

10. In determining appropriate regulation for open banking, the FCA should continue to look out for measures that may have the unintended consequence of inhibiting innovation, as the FCA did in its 2015 paper *Call for Input: Regulatory barriers to innovation in digital and mobile solutions*.

11. Improving product comparability through greater standardisation of terms and conditions is good and may be an intended consequence of open finance. However, it is important that product comparability is implemented in a manner that does not give rise to unintended consequences, such as precluding product innovation, or the provision of bespoke/ flexible product cover which can be readily distinguished. For example, any over-standardisation of insurance pricing models could potentially hinder innovation.

12. It is desirable that the more accurate pricing of products for individual consumers does not put an unreasonable burden on vulnerable consumers. We believe it is important that the expansion of open finance beyond banking should take place in such a way as to *improve* outcomes for vulnerable customers. The relevant regulatory framework should be developed with this as an explicit goal.

Q2: We are interested in your views on what open banking teaches us about the potential development of open finance.

13. The early success of open banking was set out in a short paper published by the Open Banking Implementation Entity (OBIE) in January 2020. This paper said the number of consumers who had used open banking to connect their bank accounts with trusted third parties exceeded one million, and that there were over 200 active service providers. The paper also described a broad range of services available for consumers. Whilst we believe open banking could be extended to open finance, we note that many banking products are more directly comparable than some insurance and pensions products.

14. We note that the CfI explains that open banking has helped tackle financial inclusion and the treatment of vulnerable customers, even though these benefits were not first envisaged when it was in its infancy. Financial inclusion or exclusion is a potential - and in many cases real - issue across wider financial services, and we suggest that improving inclusion should be one of the intended aims of open finance. We note that where insurance were provided through the medium of open finance, to the extent that insurance coverage were limited or unavailable (for example to 'uninsurable' risks), this could create a gap in insurance cover, and increase financial exclusion.

[1] A Guide for Ethical Data Science: https://www.actuaries.org.uk/upholding-standards/data-science-ethics

15. Open banking has already shown the potential for improved outcomes for certain groups in society. For example, open banking allows a fuller picture of an applicant's overall credit profile to be compiled using a full transaction history; this means a more representative assessment of a woman's creditworthiness can be established relative to traditional approaches, which may improve their access to credit.

16. On a separate point, we agree with the potential benefit of open finance offering a holistic view of a consumers' finances; there is clearly more scope to develop an holistic view as the scope of open finance widens, compared with the initial development restricted to banking. Open finance could potentially offer benefits within product sectors as well as across them, such as a single view of pension benefits across multiple providers.

17. In considering the potential expansion of open banking to open finance, we encourage the FCA to consider the specification of data requirements, across a range of product markets, which would enable providers to offer consumers a holistic view of their finances across different sectors.

Q3: Do you agree with our definition of open finance?

18. We agree with the FCA's definition of open finance, as set out in paragraphs 3.3 to 3.6 of the CfI. However, we note that paragraph 3.3 explains that:

    Open finance is based on the principle that the data supplied by and created on behalf of financial services customers are owned and controlled by those customers. Re-use of these data by other providers takes place in a safe and ethical environment with informed consumer consent.

19. Although we support this principle, we note that if a financial service customer gave informed consent to the use of their data, they would no longer have control over their data; instead they would have this handed over to a (hopefully trusted) third party. There is therefore a question over what control they could exercise once informed consent were granted.

Q4: Do you agree with our assessment of the potential benefits of open finance? Are there others?

20. We agree with the FCA's assessment of potential benefits in terms of personal financial management dashboards, automated switching and renewals, new advice and financial support services and more accurate creditworthiness assessments. However, in some cases, the potential benefits may only be available for some consumers. For example, as suggested in Annex 1, better risk assessment in insurance could benefit some consumers through lower premiums. However, there may well be other consumers who face higher premiums, or who are excluded because their premiums become unaffordable; it should be noted though that this may not be as a direct result of extending open finance to insurance.

21. The appeal of open finance (and hence the degrees of access to its benefits) will also depend on individual consumers' attitude to the risks associated with the sharing of their data, including how securely the data will be stored and the purposes for which it could be used. This could introduce a division between more and less risk averse consumers with respect to their data. To address this, we favour a regime that is as inclusive as possible. In our view, such a regime needs to be founded on trust and backed by sound protections relating to security and redress in the regulatory framework.

Q5: What can we do to maximise these benefits (given the considerations set out in paragraphs 3.12 to 3.17)?

22. One approach to maximising benefits would be to take a phased approach to adding product categories to open finance. *See our response to Q6 below for further thoughts on how this could be achieved.*

23. Benefits could also be maximised by using standardised Application Programming Interfaces (APIs) as happened for open banking, and building on experience from open banking. If open finance were extended to insurance, it would be useful to have an exchange of claims data for policies, including information on claim dates, amount and type, which would require common data fields and codes. However, care would be necessary in using third party data which may be inappropriate for a consumer to access.

24. However, deriving common data standards for general insurance claims information may be something of a barrier to open finance in general insurance. One potential approach is the industry CUE (claims fraud) database, which could potentially be opened up to customers to see their own record, although again care would be necessary in relation to third party data.

25. If open finance applied to general insurance made it easier for consumers to fill out proposal forms to obtain quotes, this may be a benefit. On the other hand, it could increase churn (i.e. the race to the lowest price) in the market.

26. More generally, as we note in our response to Q1 and Q4 above, the appeal of open finance may depend on how risk averse individuals are with respect to the transfer of their data to (trusted) third parties and to the use of 'black box' data analysis. We consider it important that open finance develops as an inclusive service, based on trust, for all consumers.

Q6: Is there a natural sequence by which open finance would or should develop by sector?

27. As the CfI suggests, a logical early development of open finance would be to mortgage business, given the natural synergy with banking products offered via open banking. The addition of mortgages could make the application process, which many find cumbersome, more straightforward by using consumers' personal data to assess creditworthiness and interest rate stresses. It could also support automated advice systems for most consumers, leading to a choice between proceeding on an execution-only basis or seeking further information or advice, as was suggested in the illustrative example in Figure 9.2 in the FCA paper *Mortgages Market Study Interim Report.*

28. We agree that it may be more challenging to extend open finance to wider financial services, given the lower level of product uniformity relative to that seen in banking. Notwithstanding this however, we recognise the potential of building on the development of pension dashboards in an open finance context. Even if pensions dashboards were only available in 'read' rather than 'write' format, they can serve the very useful purpose of enabling consumers to re-connect with their providers.

29. It therefore seems logical to implement open finance in a phased, step-by-step basis, with appropriate industry co-ordination. For example, the Open Banking Working Group developed the standard for Open Banking APIs, and such an approach could be replicated in this wider context. Where open finance is successively extended to wider financial service sectors, it would be helpful to learn from earlier extensions to inform the development in more challenging sectors, such as pensions and also insurance.

30. We believe the FCA could usefully work with industry bodies to help facilitate the evolution of data standards, such as setting a regulatory expectation over the extent of data to be shared. Some co-ordination may need to be organised to ensure rapid and efficient evolution of services.

31. We can also envisage open finance developing at different stages within a sector. For example, home or motor insurance could feasibly take advantage before health insurance; in this scenario, market forces may also influence a natural sequence.

Q7: Do you agree with our assessment of the potential risks arising from open finance? Are there others?

32. Paragraph 4.3 gives a good overview of the potential risks which open finance could pose. As the CfI notes, the risks of customer exclusion, misuse of data and poor customer outcomes arising are features of the current financial services environment. We also agree that that these risks could be exacerbated if the development of open finance did not include appropriate protection and regulation; we expand on this in our answer to Q8 below.

33. Paragraph 4.3 also notes that tailoring products to match a dashboard design could reduce competition by increasing product homogeneity. We agree with this, and note that where open finance were applied to insurance products, it is important that it does not rule out the provision of bespoke cover. Product innovation could be discouraged if some product features were not represented in the product dashboard, despite being of value to consumers.

Q8: Do you consider that the current regulatory framework would be adequate to capture these risks?

34. In general terms, we believe that the current regulation in the FCA Rulebook, however well-intended, is not necessarily ideal for open finance. This reflects the point that the open finance ecosystem would be a quite different world from the one in which the FCA's rules were framed. We believe that an enhanced framework should be put in place for the future to ensure that consumer data is secure and is not misused. As noted earlier, it is also important that artificial intelligence/ machine learning algorithms accessing consumer data are reliable, and do not introduce bias.

35. Paragraphs 4.8 to 4.11 say that:

    - Activity A (receipt of data, as defined in paragraph 4.7) is unlikely to be regulated;
    - Activities B and C (make recommendations and transactions respectively) are likely to be regulated;
    - Activity D (switch products) regulation depends on the market.

    We think that this is an important but quite difficult matter. Regulation of financial services supports consumer confidence, and users of open finance are not likely to understand why providers can escape sanction because their particular activity, within open finance, is not regulated. On the other hand, extension of the regulatory boundary to include all aspects of open finance would probably be viewed negatively by providers as 'regulatory creep', and it might have the unintended consequence of inhibiting innovation. A compromise approach might be to seek industry agreement for an open banking code of conduct, to which all participants would have to commit.

36. Paragraph 4.14 raises a broader point which might lead to consumer confusion: variations across product markets. Historically, retail financial products have existed in 'silos', along with their regulation. For examples, mortgages are subject to the Mortgage Market Review and investments to the Retail Distribution Review, and there were differences between them.

37. In some respects these ‘silos’ are less important at consumer level: they would speak to a mortgage adviser about mortgages and to an investment advisor about investments. Personal financial management services across a range of financial products could make it much easier for consumers to manage their financial affairs. To make them easy for consumers to understand and use, we believe there should be greater consistency across products, such as on security of personal data, the boundary between information and advice, and process for complaints and redress. We also acknowledge that there would still have to be additional detailed rules for certain product markets.

Q9: What barriers do established firms face in providing access to customer data and what barriers do TPPs face in accessing that data today?

38. For consumers to want to use open finance, it is obviously desirable that as many providers as possible, including large incumbent providers, participate in it. However, as recognised in paragraph 5.12 of the CfI, large incumbent providers may be concerned that open finance could lead to loss of market share as a result of greater competition resulting from the impact of new entrants and the shift in power from providers to consumers.

39. The fairly rapid development of open banking benefited from the CMA’s Order requiring the nine largest banks/building societies to develop an open banking standard for current accounts. The context for this was the CMA’s wish to increase competition in current accounts. In the absence of equivalent concerns about other retail financial product markets, there may not be grounds for making participation in open finance mandatory. It therefore seems appropriate to consider whether voluntary agreement to participate can be achieved.

40. The ‘positive’ case for participation in open finance is that it will enable providers to offer new services which will enable them to enhance their customer relationships and to sell more products. The ‘negative’ case is that, if providers do not embrace the digital age, they may be left behind, as in the current divergence in retail sales between physical and online sales.

41. However, as for physical retailers establishing online distribution, there will be costs associated with establishing open finance, and the business rationale for providing data will vary, depending on the size of an organisation and its product offering. For example, the proportionate costs for a small mutual insurer writing a broad range of general insurance products might be very different from those for a large building society offering a limited range of deposits and mortgages.

42. A degree of standardisation around insurance claims data would also be necessary, such as type of accident; this would need to organised by a recognised industry body. The asset management industry faced a similar problem when it was required to provide data to insurers under Solvency II. The Investment Association, along with other European trade bodies, performed a crucial role in enabling a market standard to emerge, although this was eased by the regulations being clear on what data was required.

Q10: Do you think the right incentives exist for open finance to develop, or would FCA rules, or any other changes be necessary?

43. FCA rules may have a role in avoiding chaotic and expensive evolutionary process taking place before a common standard approach to open finance emerges. In a home insurance context, currently differing home insurance products have different policy conditions and indeed definitions. There could be challenges around creating a common standard to enable third parties to understand what quality of product a consumer has in insurance. More recently, and in a slightly different context, differing policy wordings on business interruption insurance has caused some difficulties to this market segment over the course of the prevailing COVID-19 crisis.

44. FCA rules could also set expectations of the data required to be shared, as well as reducing uncertainty and costs. The regulatory tone can raise the level of expectation over time, and we suggest an evolutionary approach is better than an ambitious 'Big Bang' approach.

45. A potential issue in the online distribution of retail financial services, which could be exacerbated by open banking/open finance, is the focus on headline pricing (e.g. in price comparison websites). We suggest that the FCA should consider and issue guidance on matters such as 'hidden charges', the possible omission of some desirable product features to make cheaper products, and possible price discrimination associated with lower prices for new customers including customers who are willing to switch to new products and/or providers.

46. The number of applications for banking licences by new entrants including fintech firms suggest that commercial incentives already now exist in banking. One key factor for wider firms to consider is the likely take-up rate, and the effectiveness of using, open finance. Lessons learnt from open banking may provide useful insight on whether take-up is commensurate or otherwise with the costs invested by the market. Firms may need a clear incentive from the cost/ benefit analysis before developing open finance, although market forces may again have a bearing.

Q11: Do you have views on the feasibility of different types of firms opening up access to customer data to third parties?

47. In given sectors, some smaller firms may find the costs of opening up access to customer data to third parties to be disproportionately high. A contrasting point is that it may be commercially feasible for third parties such as fintech firms to access consumer data in other areas of finance as well as in banking: costs are reduced by the use of standardised APIs, and fintech firms are less likely to be constrained by legacy IT systems. They may also have particular skills in building APIs.

48. Paragraph 5.19 of the CfI notes that some sectors continue to rely on paper-based methods. For mass-market products, it is likely that the cost of converting to digital methods, with data in standardised format, would be justified by ongoing costs savings, better processes for customers, and reduced errors. This might not be true for some niche products, but it is hard to see how firms will be able to compete in the future if they do not allow consumers access through digital channels.

Q12: What costs would be involved in doing so? We are interested in views on the desirability and feasibility of developing APIs?

49. In paragraph 5.20, the CfI explains that the development of APIs takes time and can involve significant cost, but goes on to recognise that it is difficult to separate the real costs of open banking from money spent on IT development that would have been needed in any case. It may be that the effort in time and costs of API development is greater for some large incumbent banks with complex IT infrastructure and some legacy systems.

50. However, APIs enable firms to gather data in a central database and then to mine it, without having to rebuild or replace their core systems. It should also be borne in mind that a key aspect of open banking was the development of a common standard for APIs, which then made matters much easier for such firms and for technical service providers.

Q13: Do you have views on the feasibility of different types of firms opening up access to customer data to third parties?

51. Where smaller or niche providers in a given sector do not open up access to customer data, this may have a limited impact on that sector. Conversely, if several large incumbent firms refuse to open up access (possibly because of perceived commercial threats to them; see paragraph 36 above), it

might jeopardise, or at least delay, the development of open finance, despite its potential benefits to consumers.

52. As mentioned in paragraph 37 above, we hope that it will be possible to secure voluntary participation in open finance, because of the ‘positive’ and ‘negative’ cases mentioned in paragraph 38.

53. Paragraph 5.24 of the CfI refers to market fragmentation. This form of fragmentation probably did not occur in open banking, because retail banking products, such as current accounts/ deposit accounts/ credit cards/ personal loans are mass-market products. However, parts of the investment, insurance and pensions sectors are likely to include some products that would be regarded as niche.

54. We think that it may not necessarily be bad for consumers if markets were to fragment with mass-market products available digitally in open finance, and with some niche products available on a non-digital basis and outside open finance.

Q14: What functions and common standards are needed to support open finance? How should they be delivered?

55. We agree with paragraph 5.26 of the CfI, which says that a system which is interoperable and cohesive should support competition and efficiency and should minimise confusion for the customer. We suggest there should be common standards for matters such as:

- APIs and related IT requirements;
- customer journeys.

56. Common data templates by sector and product should accelerate the establishment of open finance, at least for mass-market products. There may be useful lessons to be learned from the experience of the asset management industry in providing the data required by insurance companies for Solvency II reporting purposes. We also recognise the potential of a digital identity solution, in helping consumers authenticate with multiple providers. This may help address some of the data security concerns we mention earlier in this response.

Q15: What role could BEIS’ Smart Data Function best play to ensure interoperability and cohesion?

The IFoA does not have any specific points to raise as an answer to this question.

Q16: To what extent should the standards and infrastructure developed by the OBIE be leveraged to support open finance?

57. The OBEI has made an important contribution to the successful development of open banking. We suggest that open finance should, as far as possible, build on the standards, infrastructure and experience of the OBIE. We also suggest that consideration should be given to the establishment of an equivalent body for open finance, supported by providers and led by the FCA.

Q17: Do you agree that GDPR alone may not provide a sufficient framework for the development of open finance?

58. We agree with the points set out in the CfI (paragraph 5.40) as to why the requirements of GDPR are not adequate in an open finance context; as this paragraph explains, the GDPR was not designed with the requirements of open finance in mind. However, we do regard GDPR as being both a foundation and mandatory for open finance.

59. In addition to GDPR requirements, there is a need for an ethical framework to underpin the regulatory framework, including considering the use of data, ensuring the data used in algorithms is accurate and complete, and that algorithms used do not introduce bias. *See also Q19 below*.

Q18: If so, what other rights and protections are needed? Is the open banking framework the right starting point?

60. The IFoA supports the recommendations, set out on paragraph 5.44, that consumers' rights should be standardised, that redress and competition should be easy and that consumers should be able to control their data. We believe that the regulations and standards across products in open finance should be as consistent as possible with those already established for open banking. There are two reasons for this:

- open banking has been successful. *See our answer to Q2 above;*
- we think that consumers will find open finance difficult to understand if different regulation and/or standards apply to different products.

Q19: What are the specific ethical issues we need to consider as part of open finance?

61. In our view, data gathered through open finance needs to be done so in an ethical manner. We refer again to the IFoA/ RSS paper 'A Guide for Ethical Data Science'. The guide is designed to apply in a wide range of financial/ wider contexts, and hence we believe it is also highly relevant in the development of open finance. It was developed following a range of stakeholder workshops which identified five reoccurring ethical themes from existing ethical frameworks relating to the use of data science. These themes are to:

- seek to enhance the value of data science for society;
- avoid harm;
- apply and maintain professional competence;
- seek to preserve or increase trustworthiness;
- maintain accountability and oversight.

We would be pleased to meet the FCA to discuss the contents of this paper and the thinking behind it in more detail.

Q20: Do you have views on whether the draft principles for open finance will achieve our aim of an effective and interoperable ecosystem?

62. The IFoA agrees with the concept of a set of principles, based on experience with open banking. We consider it very helpful that the FCA has invited comment of the draft set of principles in Table 3, as part of this CfI. However, since the IFoA is not a stakeholder in open finance, we think that it is not appropriate for the IFoA to comment on the principles.

Q21: How should these set of principles be developed? Do you have views on the role the FCA should play?

63. We recognise that the FCA's Innovate project and its regulatory sandbox have been very helpful for individual firms bringing innovative products and services to the market, and that they can continue to play this role as firms introduce digital solutions based on open finance.

64. Many of the issues mentioned in paragraph 6.5 including agreeing principles, identifying opportunities and risks, developing a common API standard and discussing possible amendments and/or additions to the FCA's rules require some form of industry forum. Such a forum could be led

by the FCA itself, or by a body equivalent to the Open Banking Implementation Entity, with FCA representation on it.

65. In relation to paragraph 6.5, we agree that it is desirable to consider the rules for advice across products likely to be included in open finance. *See our answer to Q22.*

Q22: Do you have views on whether any elements of the FCA's regulatory framework may constrain the development of open finance? Please provide specific examples.

66. One issue relates to the possibility of ongoing regulatory uncertainty over the boundary between information and advice. The Mortgage Market Review said [2] that all sales involving some form of interactive dialogue…would be advised sales. Subsequent research showed that some providers were reluctant to provide information about mortgages, in case the information was deemed to be advice, potentially making them liable to sanctions for mis-selling. The Financial Advice Market Review then clarified the boundary between information and advice for investment products, but not for mortgages and other banking products.

67. Online services using open finance are likely to engage with consumers in an interactive manner. We believe that this approach supports consumers' engagement and understanding, which have historically been low in many areas of financial services. In our view, it would be helpful for the FCA to give guidance on the boundary between information and advice across products that might be included in open finance; we also believe that it would be easier for consumers if a consistent approach to the boundary between information and advice were to be taken for all products that might be included in open finance.

68. As well as using an interactive approach, online services using open finance may use Artificial Intelligence algorithms. The need to avoid bias that could lead to systemic mis-selling underlines the importance of the work being done with the Alan Turing Institute, as mentioned in paragraph 5.50 of the CfI; this is also echoed in the second theme of avoiding harm in the IFoA/ RSS paper 'A Guide for Ethical Data Science'.

69. Finally, we reiterate our view that, as far as possible, there should be a consistent regulatory approach to retail financial products, rather than product by product regulation in 'silos'. This should help make it easier for consumers to use, and get the benefits of, open finance.

Should you want to discuss any of the points raised please contact Steven Graham, Technical Policy Manager (steven.graham@actuaries.org.uk) in the first instance.

Yours Sincerely,

Tan Suee Chieh
President, Institute and Faculty of Actuaries

[2] See (in paragraph 5.52 in FSA CP11/31)