

ACCOUNT AGGREGATOR

The Role of Unified Digital Interface

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OPEN BANKING

- Open banking refers to a financial services model where banks and other financial institutions open their systems to third-party developers and service providers, allowing them to access and share financial data through application programming interfaces (APIs).
- This enables customers to securely share their financial data with other authorized parties, such as fintech companies, without having to provide their login credentials.
- Open banking aims to improve competition, innovation, and the customer experience in the financial services industry by enabling more efficient and cost-effective services and providing greater control and transparency for customers over their financial data.

FIP

FIP is a regulated entity that seems to have access to a person's financial information and commits to share that financial data upon request from a Financial Data User, as per Section 3(xi) of the NBFC-AA Directive, 2016 (the Regulation).

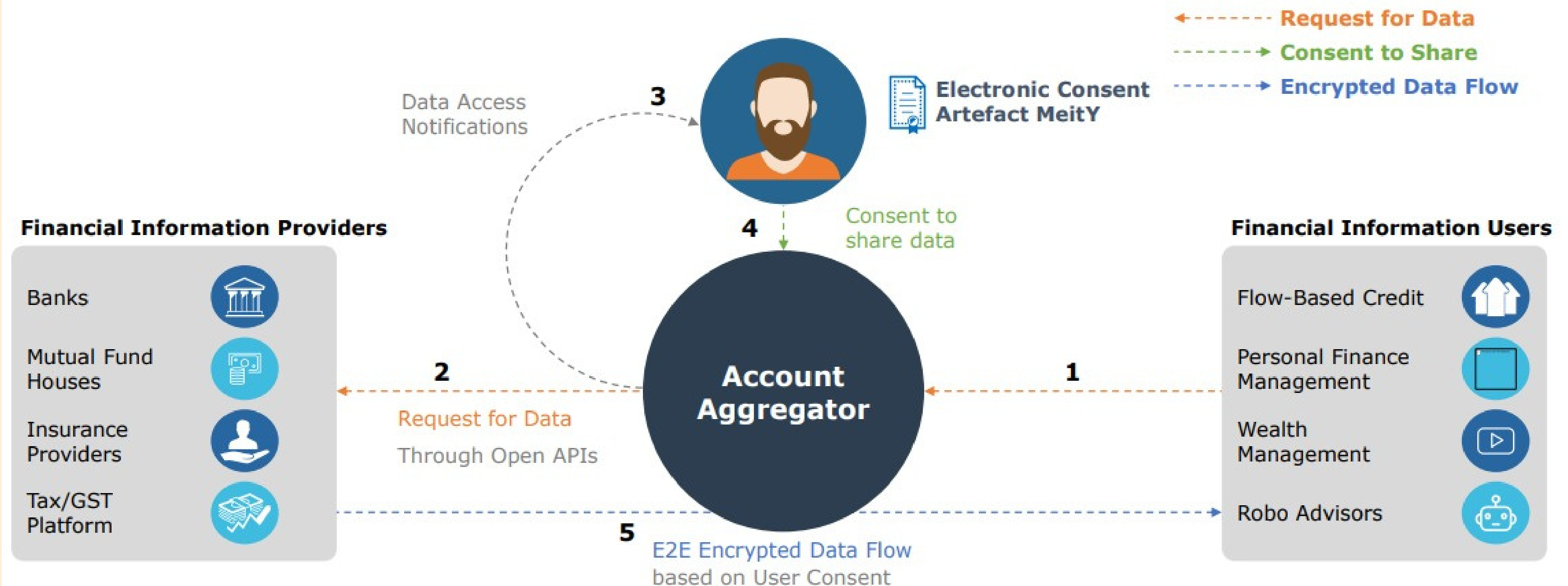
FIU

FIUs, which request access to a person's financial data from a FIP in order to provide services to the end customer, including such market assessment, customer analysis, creditworthiness assessment, etc., are regulated organizations by regulatory agencies, such as RBI, SEBI, IRDAI, and Pension Fund Regulatory and Development Authority (PFRDA), according to Section 3 of (xii) of the Regulation.

INTRODUCTION OF AA

- An account aggregator (AA) is a type of financial technology (fintech) service that enables customers to securely access and share their financial data across multiple financial institutions and service providers.
- AA acts as an intermediary between customers and financial institutions, allowing customers to provide consent to share their financial data with other authorized parties, without having to provide their login credentials or other sensitive information.
- Account aggregator allows customers to view all their financial information in one place, without having to log in to multiple accounts. This provides greater control and transparency over their data and allows for the development of innovative financial services and products, such as personalized financial advice and automated financial management tools.

Financial Information Sharing and Consent Process



The Account Aggregator will facilitate consented sharing of financial information in real-time

TARGET AUDEINCE

Individuals:

- Individuals with multiple bank accounts, credit cards, and investment accounts who want to view their overall financial status and track their spending.

Small Business Owners:

- Small business owners who need to track their finances across multiple accounts, such as payment processors, accounting software, and payroll services.

Financial Advisors:

- Financial advisors who manage client portfolios and need to access account information from various financial institutions.

Large Corporations:

- Large corporations with multiple subsidiaries or business units that need to consolidate financial data across different systems.

ADVANTAGES

- **Digital system**

Data is transferred through regulated digital framework which reduces hassle of paperwork

- **Convenience**

Customers can view all of their financial information in one place without having to log in to multiple accounts

ADVANTAGES

- **Financial Planning**

With account aggregators, users can get a holistic view of their financial situation, which can help them plan and make better financial decisions.

- **Better Loan Assessment**

Account aggregators can help lenders assess the creditworthiness of borrowers more accurately by providing a comprehensive view of their financial profile.

- **Safe Data Processing**

The AA framework must adhere to strong data sharing and privacy norms stipulated by the RBI so the AA system will use protected digital signatures to identify shared data

DISADVANTAGES

- **Security risks:**

Although account aggregator services use advanced security measures to protect customers' financial data, there is still a risk of data breaches and other security vulnerabilities that could expose sensitive information.
- **Technical issues:**

Users may experience technical difficulties or errors when connecting their accounts to the aggregator platform, which could cause delays or inaccuracies in their financial data.
- **Cost:**

Some account aggregator services may charge fees or subscription costs, which could add to the user's financial burden.

DISADVANTAGES

- **Limited account availability:**
Not all financial institutions may be supported by account aggregator services, which could limit the scope and accuracy of the user's financial data.
- **Privacy concerns:**
Customers may be uncomfortable with the idea of sharing their financial data with a third-party aggregator, particularly if the service is not transparent about how the data is used and shared.

PROBLEMS FACED BY AA

● **Regulatory Challenges:**

Account aggregators need to comply with various regulations and data privacy laws, which can vary across different jurisdictions. This can be a challenge, especially in countries where the regulatory framework is still evolving.

● **Lack of Awareness**

Many users are not aware of the benefits of account aggregators, and some may be hesitant to share their financial data with third-party service providers. This lack of awareness can be a significant barrier to the adoption for account aggregators.

● **Security Concerns:**

Users may be concerned about the security of their financial data when using account aggregators.

SAFETY MEASURES

Account aggregators (AA) need to implement robust safety measures to protect the financial data of their users.

Encryption:

AAs should use encryption to protect user data during transit and at rest. Encryption ensures that data is scrambled so that only authorized parties can access it.

Authentication:

Two-factor authentication, to prevent unauthorized access to user data

Data Protection:

AAs should have appropriate data protection policies and procedures in place to prevent unauthorized access, use, or disclosure of user data.

Compliance:

The aggregator must follow all applicable laws and rules, such as those about data protection and privacy, financial services, and other laws and rules.

SAFETY CONCERNS

Unauthorised Access:

Users need to ensure that they only provide their financial data to trusted account aggregators.

Cybersecurity Threats:

Users should regularly monitor their financial accounts and report any suspicious activity immediately.

Data Privacy:

Users should carefully review the privacy policy and terms and conditions of the account aggregator to understand how their financial data will be used and shared.

User onboarding

Account linking

Data retrieval and
processing

Data storage and
security

Data
presentation

Sharing data

Operations Of AA

TYPES OF CONTRACT

1. User agreements:

Contracts between the AA and the user that spell out the terms and conditions of the service. It states each party's rights and responsibilities like data privacy, security, liability, and how to settle disagreements.

2. Lack of Liquidity:

contracts between the account aggregator and the financial institution that say how the account aggregator can access the financial institution's data. These agreements have clauses about the type of data that can be accessed.

TYPES OF CONTRACT

Data access agreements:

These are contracts between the account aggregator and the financial institution that say how the account aggregator can use the financial institution's data.

Non-disclosure agreements (NDAs):

NDAs are contracts between the account aggregator and the financial institution that protect the privacy of the financial institution's data. These agreements usually say that the account aggregator can't share the financial institution's information with third parties without the financial institution's permission.

LEADING AAS OF INDIA



Yodlee Finsoft Account
Aggregation
Market share: 20%



PERFIOS Co
Market share: 14%



CAMS FinServ



PhonePay
Account
Aggregation

LEADING AAS OF INDIA



FINVU
Market share: 16%



Dashboard Account
Aggregation Services
Private Limited: SAAFE
Market share: 34%



NeSL
Account
Aggregation



One Money
Market share: 13%

SWOT ANALYSIS



S

- Convenience
- Improved Financial Management
- Security
- Data privacy




W

- Limited Adoption
- Dependency on Financial Institutions
- Revenue model



O

- Growing Demand
- Expansion into New Markets
- Data Analytics



T

- Competition
- Regulatory Changes
- Security Risks

PESTEL ANALYSIS

Political

Government regulations:

To ensure that data privacy and security are upheld and that data is exchanged securely, the government has established rules and procedures.

Economic

Digital transformation:

The account aggregator market has grown as a result of the developing digital economy. The demand for account aggregator services is projected to rise as more organisations turn to digitization.

PESTEL ANALYSIS

Social

Education and awareness:

Customers are becoming more knowledgeable of the advantages of account aggregator services, including simple and secure data sharing and the capacity to manage their finances more proficiently.

Technological

Technology advancements:

The account aggregator market depends on advancements in big data analytics, machine learning, and artificial intelligence.

PESTEL ANALYSIS

Environmental

The industry for account aggregators is not directly impacted by any significant environmental issues. Yet, businesses must take care to implement sustainable practises in their operations.

Legal **Data privacy laws:**

The account aggregator sector is subject to stringent data privacy rules, including the General Data Protection Regulation (GDPR) and other data protection legislation.

PORTERS 5 FORCES

- **Competition in the Industry:**

The competition in account aggregators is very high with a large number of companies competing for users' attention and loyalty. Moreover, they also face competition from financial management tools.

- **Potential of New Entrants:**

As advancement towards technology is taking place at a fast rate and everything is becoming digitalized, the potential for new entrants becomes difficult to survive. For new entrants will need heavy investments to be done. In accordance with this there are several companies who are in the process of getting licenses from the RBI.

PORTERS 5 FORCES

- **Power of Suppliers:**

Account aggregator companies mainly rely on partnerships with financial institutions to access users' data. This power can be significant as account aggregation providers rely on suppliers for access to financial data.

- **Power of Customers:**

As the competition rises, the power of customers to select from the various options also rises. They may even switch to another provider if they are dissatisfied with the service or if the competitor has a better deal.

- **Threat of Substitutes:**

The threat of substitutes is high as there are other ways to manage financial accounts like some banks have their own apps or one can access the financial data directly through websites.

LITERATURE REVIEW

CONSUMER ISSUES IN ACCOUNT AGGREGATION

- All AA companies should properly disclose their terms and conditions which makes the users to have trust in that company.
- All the complaints and disputes should be addressed on real time basis so any malpractice can be tracked with ease.
- The AAs should be liable if there is an error in their website and the question is that who would bear the loss if there is an unauthorised transaction? All this should be clearly communicated.

LITERATURE REVIEW

ACCOUNT AGGREGATION TOOLS: HISTORY AND USE FOR THE FUTURE.

- The paper identifies a number of issues associated with AA tools, such as the necessity for strong security measures to secure user data and the possibility of technological errors in data aggregation.
- Account aggregation tools are properly secured and protect users' sensitive financial information. AA use is regulated by various agencies, including the Consumer Financial Protection Bureau and the Securities and Exchange Commission.
- The future of AA looks promising for new applications of the technology, especially in virtual financial planning.
- As data aggregation becomes more trustworthy and precise, account aggregation can serve as the foundation for more complicated financial instruments.

LITERATURE REVIEW

BANKS AND FINTECHS:HOW TO DEVELOP A DIGITAL OPEN BANKING APPROACH FOR THE BANKS FUTURE.

- The article explored the market evolution of Fintech and Techfin, along with the rise of platform models in banking. It examined the evolution of that concept, as well as offering an interesting banking case (BBVA), which provides multiple perspectives into the decisions made in favor of a Banking-as-a-Platform model inside the banking industry.
- This paper discusses how traditional banks have to cope up with the changing technology. It further explains how it is important for a bank to keep investing in innovation rather than just providing basic services of banking like deposits ,loans,etc.
- In addition to that the article also speaks about how the coexistence of fintech and traditional bank is necessary as the fintech after all are dependent on the traditional banks to provide various services , if the existence of any one is not there it would be difficult for other to survive .

LITERATURE REVIEW

E-AGGREGATION:THE PRESENT AND FUTURE OF ONLINE FINANCIAL SERVICES IN ASIA PACIFIC

- This article talks about how the customers have accepted online services in india vs asian countries
- It also talks about the bank also need to take one step further and integrate account aggregation and financial aggregation , financial aggregation is broader than AA as it provides services like payment service ,online shopping ,real estate services , etc
- At the end it also talks about mobile aggregator as now 90% of the household in the developing company as per the research paper have smart phone and the current generation prefer to get their work done speedy and from one place only , so the next step to move forward for the AA companies will be integration with fintechs by including financial services and also go ahead with mobile aggregation ..

THANK YOU

Bhavya Shah	AU1910391
Devni Shah	AU1910181
Saloni Mahendra	AU1910233
Khushi Shah	AU1910149
Henika Delhiwala	AU1910250
Yash Shah	AU1910617
Prajval Pathak	AU1910325